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CHINA REPORT  
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## NATIONAL POLICY AND ISSUES

### ECONOMIC RESULTS VIEWED AS A STRATEGIC OBJECTIVE

Xiamen ZHONGGUO JINGJIWENTI in Chinese No 1, 1983 pp 11-18, 65

[Article by Zhou Shulian [0719 0647 5571]: "Strategic Objective and Economic Results"]

[Text] In his report to the 12th National Party Congress, Comrade Hu Yaobang laid down the strategic objective, priorities and steps of our economic construction in the next 20 years. This strategic plan is consistent with the actual conditions in our country and reflects the will of all people. It will certainly inspire the broad masses in their struggle for the cause of socialist modernization.

#### A Scientific Summation of Historical Experiences

To attain this grand strategic objective, we must correctly handle the relationship between economic results and the development speed. Comrade Hu Yaobang said in his report: "The general objective of China's economic construction for the 2 decades between 1981 and the end of this century is, while steadily working for more and better economic results, to quadruple the gross annual value of industrial and agricultural production." To steadily work for more and better economic results and to quadruple the gross annual value of industrial and agricultural production, with the former serving as a prerequisite of the latter according to the substance of the strategic objective are the result of a scientific summation of our experiences in economic construction and the criteria for handling the relationship between economic results and the development speed. They are of great significance as a guidance in our future work.

Our experiences during the First Five-Year Plan show that only good economic results can enable us to achieve a sustained and fairly rapid economic development and to provide real benefits to the people from the economic growth. The First Five-Year Plan called for a 51.1 percent increase in the total industrial and agricultural output value in 5 years, or an average annual progressive increase of 8.6 percent, including an average annual progressive increase of 14.7 percent in the gross industrial output value; of 9.9 percent in the gross handicraft output value; and of 4.3 percent in the gross agricultural output value. This plan was overfulfilled, with the result that the total industrial and agricultural output value was increased at an average annual progressive rate of 10.9 percent,

including an 18 percent increase in the total industrial (including handicraft) output value and a 4.5 percent increase in the gross agricultural output value. The splendid accomplishment of the growth rate as stipulated in the First Five-Year Plan was inseparable from continued improvement of economic results. During the First Five-Year Plan, the average annual progressive rate of increase in the national income was 8.9 percent, and it was a sustained increase every year. Compared with the preceding years, the national income was increased by 14 percent in 1953, by 5.8 percent in 1954, by 6.4 percent in 1955, by 14.1 percent in 1956, and by 4.5 percent in 1957. During the First Five-Year Plan, the total investment in capital construction amounted to 54,996 million yuan, with an average increase of 26 percent each year. Without a fairly high rate of increase in the national income, capital construction could not have been carried out on such a large scale. Investments during the First Five-Year Plan also showed fairly good results. For every 100 yuan's worth of fixed assets, there was an increase of 58 yuan in the national income, more than in the Fifth Five-Year Plan by 70 percent. During the First Five-Year Plan, the industrial fixed assets, owned by the whole people, of every 100 yuan at their original value yielded an output value of more than 130 yuan, whereas during the Fifth Five-Year Plan, it was only about 100 yuan. Because of the good economic results, the large-scale economic construction during the First Five-Year Plan also brought marked improvement in the people's livelihood.

The Second Five-Year Plan showed in a negative way how economic results could restrict the speed of development. Because of the blind quest for high speed, no attention was paid to the economic results which, as a result, deteriorated despite the brief rapid industrial development. In 1958, for example, there was practically no increase in the national income from the agricultural sector, and in 1959 and 1960, there was even a large drop. The output value of industrial enterprises owned by the whole people dropped by 8.5 percent in 1958 and by 7.5 percent in 1959. Although the accumulation rate in 1958-1960 rose above 30 or even 40 percent, the results of accumulation became worse, and in 1959, the national income for every 100 yuan's accumulation was only 19 yuan, less than 60 percent of 35 yuan, the figure during the First Five-Year Plan. Therefore, the national income continued to drop in the next 3 consecutive years, from 1960 to 1962. The revenues also dropped by a wide margin in 1961 and 1962. In 1961, we were forced to drastically scale down capital construction, and the state investment on these projects in 1961 was more than two-thirds less than in 1960. In 1962, it was again reduced by one half. Thus in 1961 and 1962, the gross industrial output value and the gross industrial and agricultural output value were also reduced by a wide margin. During the Second Five-Year Plan, the average gross industrial and agricultural output value each year increased by only 0.6 percent, including an average annual increase of 3.8 percent in industry and an average annual reduction of 4.3 percent in agriculture. In 1962, the average consumption level for people throughout the country was much lower than in 1957, and even slightly lower than in 1952. This means that if the economic results are overlooked, a high speed of increase, even attained for a while, cannot be sustained and will lead to a decline in production with no real benefit for the people.

We have also had similar experiences and lessons in other periods showing that the relationship between economic results and development speed must be carefully handled before healthy and speedy national economic development can be assured. It should be pointed out that we must pay great attention to this problem before it can be solved. In our "First Five-Year Plan for the Development of the National Economy," the chapters on industry, agriculture, transportation and commerce separately stressed the need to pay attention to economic results. There was also a chapter dealing with "the planned indices for the increase in the labor productivity and decrease in production costs" and another chapter on "practising economy and opposing waste." That was why the relationship between economic result and development speed was fairly well handled during the First Five-Year Plan. During the Second Five-Year Plan, we began to stress development speed one-sidedly regardless of economic results and raised such erroneous slogans as "Proportion should be subordinate to speed" and "We want political but not economic accounting." Consequently, the economic results deteriorated and the development speed as a whole was reduced.

In the history of other countries, we can also see the close relationship between economic development speed and economic results. One of the causes of Japan's high development speed was its good economic results. According to the calculations of some author, Japan's final products in 1969 amounted to 44,287.6 billion yuans in value, being 454.1 percent of 9,752.6 billion yuan in 1954, at an average annual increase rate of 11.4 percent. Its production expenditures totaled 31,288.5 billion yuan in 1968 and 7,887 billion yuan in 1954, the former being 396.7 percent of the latter at an average annual increase rate of 10.35 percent. The average annual increase in products was more than in production expenditures. There was then a saving of funds most of which was used to ensure economic growth.<sup>1</sup> Of course, the high regard for economic results in capitalist countries is motivated by the desire to preserve capitalist interests. Yet their experiences and lessons deserve our attention.

Some comrades have the worry that the objective of quadrupling our total industrial and agricultural output value may divert people's attention away from economic results. If we review our historical lessons, such a worry is not entirely unjustifiable. However, this is not enough to support the view that the use of the speed of our production development as our objective will lead to a neglect of economic results. We use the speed of increase in our total industrial and agricultural output value as the objective because it is one of the principle indices reflecting production development; because, from this index, we can find out how much labor and raw materials will be required for the general scope of production within a certain period; and because we can use it to analyze the process of social reproduction and composition of products and national income. Setting the target of quadrupling our total industrial and agricultural output value in 20 years, together with the series of other related goals, will enable us to see farther ahead instead of sizing up the situation at every forward step and to clearly understand that the present readjustment in various fields will precisely serve as a foundation for the future vigorous economic development.

The real issue is that the Party Central Committee's demand for quadrupling our industrial and agricultural output value has been determined realistically and after serious and meticulous investigations and study. This objective calls for an average increase of 7.2 percent every year. From 1950 to 1981, our total industrial and agricultural output value increased at an average progressive rate of 9.2 percent each year. If the 3 years of recovery--during which the rate of increase was unusually high--were not taken into account, the average progressive rate of increase each year from 1953 to 1981 was still 8.1 percent and higher than the expected 7.2 percent. Furthermore, there have been serious mistakes in our guiding thought during the long period of turmoil. Now that we have achieved stability and unity throughout the country, the focus of the work of the whole party has been shifted to economic construction, and a correct guiding thought and a series of correct principles and policies has been formulated. This situation will remain stable for a long time to come. Compared with the past, our present material and technological foundations are more solid, our scientific and technological force is stronger and the international conditions are more favorable. Therefore, it is entirely possible for our industrial and agricultural output value to be quadrupled in 20 years. The high speed demanded in the past was not realistic and led to poor economic results. The speed now demanded is realistic and it has been clearly stipulated that continued improvement of economic results is a prerequisite for quadrupling the industrial and agricultural output value. This will enable us to avoid a repetition of the same mistake of blindly striving for high speed and neglecting economic results.

Some comrades feel that using speed in production as the objective of economic construction is a deviation from the goal of socialist production. This view is not fully justified. For some time in the past, our economic work did not conform to the socialist goal of production; but this was mainly because the guiding thought ignored the socialist goal of production. Furthermore, since we were striving for an excessive and unrealistic rate of economic growth, accumulation would certainly triumph over consumption in the competition and it would be difficult to ensure a gradual increase in the people's income on the basis of production development. This would hamper the attainment of the goal of socialist production. However, if we can determine the rate of increase in a realistic way and at the same time pay great attention to the economic results, the use of the speed in production as our objective will not interfere with the attainment of the socialist goal of production. This point has been fully proved by our experiences during the First Five-Year Plan. In fact, people's livelihood can be improved only when production has been developed. We can never segregate the goal of production from the means by which the goal is attained. Furthermore, a certain growth rate is also a condition for the improvement of economic results. As shown by historical experiences, there must be a sustained and high rate of growth for production before the economic results can be improved comprehensively and rapidly. Therefore, the objective set by the 12th National Party Congress of quadrupling the gross annual value of industrial and agricultural production while steadily working for more and better economic results also means acting in accordance

with the basic socialist economic laws. When this objective is attained, it will be possible to increase the income of the urban and rural population several times over, and the Chinese people will be comparatively better off both materially and culturally.

### How the Rate of Industrial and Agricultural Growth is Regulated by Economic Results

The improvement of economic results as a prerequisite for quadrupling the industrial and agricultural output value means the need for speed in the improvement of economic results. Therefore, it is necessary for us to study how the rate of industrial and agricultural growth can be regulated by economic results and how the key problems in improving economic results can be solved. For a long time, our poor economic results can be solved. For a long time, our poor economic results are mainly expressed as follows: the rate of increase in national income being slower than in the industrial and agricultural output value and particularly the tendency of the disparity between them to expand; the shortage of energy supply being aggravated by the serious energy waste; the long construction periods and poor investment returns in capital construction; and the huge funds used in circulation and their slow turnover. In view of these problems, we should devote our efforts in the following aspects in order to improve the present economic results.

#### 1. Keep the Rate of Increase in National Income Close to That of Industrial and Agricultural Output Value

National income is the material wealth created in a certain period by the laborers of the material production departments, including those of agriculture, industry, building industry, communications and transportation and commerce. It is the net value from the total social products after the deduction of the material consumption. There must be a high rate and a large amount of increase in the national income before there can be increased fund accumulation along with increased income for the people and before there can be more funds for social expanded reproduction. Marx said: "Production expands annually for two reasons: first, because the capital invested in production is continually growing; and second, because the capital is constantly used more productively."<sup>2</sup> Huge funds are required for the task of "quadrupling" in the next 20 years. For example, for constructing a coal mine with annual output of 1 million tons, an investment of nearly 200 million yuan and a period of 7 years are required; for constructing an opencut coal mine with an annual output of 20 million tons, an investment of more than 3 billion yuan and a period of more than 10 years are required; for constructing a hydropower plant with an installed capacity of 1 million kws, an investment of at least 1 billion yuan and a period of approximately 10 years are required; and in constructing 1,000 kilometers of railway, an investment of more than 2 billion yuan is required. To ensure the availability of funds for the task of "quadrupling," efforts should be made to speed up the increase in national income.

When the rate of increase in the total industrial and agricultural output value has been determined, it will be possible to speed up the increase in national income. There are both relationship and difference between the rates of increase in the total industrial and agricultural output value and in the national income. From 1952 to 1981, there were 2 years in which the latter surpassed the former; 5 years in which both were basically close to each other; 9 years in which the former was slightly over the latter; 10 years in which the former surpassed the latter by more than 3 percent; and 4 years in which both dropped at the same time. From 1950 to 1981, the average annual increase rate was 9.2 percent in industrial and agricultural output value and 7.1 percent in the national income, the former being 2.1 percent over the latter; and from 1953 to 1981, the average annual increase rate was 8.1 percent in industrial and agricultural output value and 5.9 percent in the national income, the former being 2.2 percent over the latter. If the national income can be increased a little more when the total industrial and agricultural output value has been determined, it will be possible to provide more funds for expanded reproduction and speed up economic development in the coming years. The higher rate of industrial and agricultural growth during the First Five-Year Plan and the period of readjustment in 1963-1965 was in some way related to the higher rate of national income growth.

There has been discussion among the theorists on the question whether it may be possible for the rate of increased in national income to approach that in the total industrial and agricultural output value in the next 20 years. On this question, we have to study the factors in the difference between the rates of increase in the total industrial and agricultural output value and in the national income, as well as the trend of development of these factors.

The direct factors in the difference between the rates of increase in the industrial and agricultural output value and in the national income are the changes in the ratio of the net output value to the total output value and in the makeup of departments. Generally, if the ratio of net output value to the total output value among all departments is low and the proportion of departments with low net output value ratios in the department makeup is large, the increase in national income will lag behind the increase in total industrial and agricultural output value; and if the ratio of net output value to the total output value among all departments as well as the proportion of departments with high ratios of net output value are high, then the increase in national income will be ahead of the increase in total industrial and agricultural output value. In practice, however, there are very complex conditions. In the past 30 years, material consumption in various departments in our country has tended to rise. For example, in agricultural production, the material consumption rate was 26.2 percent during the First Five-Year Plan and 30.2 percent during the Fifth Five-Year Plan. In industrial production, the material consumption rate was 65.6 percent during the First Five-Year Plan and 65.9 percent during the Fifth Five-Year Plan. At the same time, the proportion of industrial departments in social production with high material consumption rates was increased. Therefore, the difference

between the rates of increase in industrial and agricultural production tended to increase. The former was faster than the latter by 2 percent during the First Five-Year Plan and by 2.2 percent during the Fourth Five-Year Plan. In future, provided we pay attention to the improvement of economic results and strive to lower the material consumption rate among all departments and to bring about a rational economic structure, this tendency can be reversed.

The factors affecting the two rates of increase in future are fairly complex. Generally, they can be classified into two types. On the one hand, there are the factors causing a faster increase in the total industrial and agricultural output value than in the national income, such as the increase in the material consumption rate of some products and in the ratio of industry. On the other hand, there are also factors causing a faster increase in the national income than in the total industrial and agricultural output value. For example, economizing on material consumption will reduce the material consumption rate of products and speed up the growth of labor intensive and knowledge intensive industries. On the whole, since there is excessive consumption of raw materials and energy and serious waste, and since some productive capacity is not fully used, much can be done in lowering material consumption. Furthermore, since the present economic structure is irrational, the improvement of this structure can do a great deal in speeding up the increase in the national income. It should also be pointed out that since we have abundant labor resources which are not yet fully utilized and labor productivity is fairly low, there is also good potential for increasing labor productivity. The increase in social labor and the rise in labor productivity are also important factors in the increase of national income. It will be objectively possible for the rate of increase in the national income to approach the rate of increase in the total industrial and agricultural output value. As long as we do our work well in various fields and strive to improve the economic results, we can certainly reduce the disparity between the rates of increase in the total industrial and agricultural output value and in the national income by increasing the national income.

## 2. Increase the Utilization Rate of Energy, Strive for Energy Conservation

Energy is an important material condition for developing production and will be the main factor in regulating the speed of our economic growth for a fairly long time to come. Our energy supply now is fairly tight, and energy shortage is responsible for the reduction of our industrial output value by several tens of billion yuan each year. Its effect on the rate of increase is quite obvious. One method to solve the energy problem is to raise the energy utilization rate. If we only rely on the increase of energy instead of making better use of it, then the production of energy has to be quadrupled in order to meet the requirements for quadrupling the total industrial and agricultural output value. In other words, the amount of energy equivalent to some 600 million tons of standard coal in 1980 will have to be increased to the equivalent of more than 2.4 billion tons. We will encounter insurmountable difficulty in

either funds or technology in trying to increase our energy production to such an extent in the next 20 years. In fact, this is almost an impossible task. The relevant department has predicted that in the next 20 years, energy production may be doubled or a little more. Under such conditions, it is necessary for the per-unit energy consumption to be reduced by one half. For example, the energy consumption for each 10,000 yuan's output value should be reduced from 8.2 tons in 1980 to approximately 4 tons in 2,000 before the objective of quadrupling our total industrial and agricultural output value can be attained.

The satisfactory fulfillment of our First Five-Year Plan was closely related to the effective use of energy at that time. For each ton of energy, the national income was 1,167 yuan during the First Five-Year Plan; 517 yuan during the Second Five-Year Plan; 654 yuan in 1963-1965; 707 yuan during the Third Five-Year Plan; 576 yuan during the Fourth Five-Year Plan; and 527 yuan during the Fifth Five-Year Plan. Were it not for the splendid result of energy utilization, it would have been difficult for the First Five-Year Plan to be fulfilled.

At present, it is quite feasible for us to improve our energy utilization through energy conservation. Our energy consumption in its relation to output value is much higher than many other countries. According to our estimate, our average energy consumption for every 100 million yuan's output value in 1980 was 211,100 tons, more than 2.21 times that of India in 1978, which was then 95,500 tons; and more than 4.94 times that of Japan in 1979, which was 42,700 tons. If our energy consumption can match with that of India, our output value can be doubled for the same amount of energy. It will be even more, if ours can match with that of Japan. Even in our own country, energy consumption in relation to the industrial output value varies very greatly among different provinces and cities. In 1980, the average energy consumption for every 10,000 yuan's industrial output value was 2.41 tons in Shanghai, 4.15 tons in Tianjin, 4.27 tons in Zhejiang, 4.29 tons in Guangdong and 5.04 tons in Jiangsu. All these were the provinces and cities with low energy consumption. There were also several other provinces with energy consumption of more than 20 tons, or approximately 10 times that of Shanghai. If the energy consumption throughout the country could be as low as in Jiangsu, we would be able to save 150 million tons; and if it could be as low as in Shanghai, we would be able to save nearly 300 million tons of energy [in 1980].

Energy conservation can be classified into direct and indirect energy conservation. Direct energy conservation refers to the direct reduction of energy used on various products, such as the reduction of coal consumption in every kilowatt of electricity. Indirect energy conservation is achieved through the methods other than those used for direct energy conservation in reducing the per-unit consumption for products or output value. For example, if we will change the scattered industrial boilers into large boilers for central heating and a combination of heating and power generation, or by using the steam to generate

power first and supply heat later, we can generate more than 6,000 kwh of electricity each year for every 1,000 kilowatts of power generating capacity, and save 3 tons from direct energy conservation. By making full use of the 6,000 or more kwh of electricity, we can also increase our industrial output value by 13,000 yuan. Thus indirect energy conservation yields better result than direct energy conservation does.

Energy consumption on many industrial products in our country at present does not reach the best historical levels, and some of the fairly good levels have been attained with backward technology. Thus we can see the good potential in direct energy conservation. Much can also be done in indirect energy conservation through these main channels: 1) Readjustment of the industrial structure, such as the light and heavy industrial structure. For the same amount of output value, the energy consumed in heavy industry is four times that in light industry. In the past several years, our energy conservation has been carried out mainly through the readjustment of the ratio between heavy and light industries and the pattern of production for some products. However, there are many aspects in the readjustment of the industrial structure and the future potential is still quite large. 2) Improvement of the products' properties and extension of their service life. For example, the service life of our motor vehicle ball-bearings is 150,000 kilometers, and that of Japanese products is 300,000-400,000 kilometers. If the service life of our products can be as long as their Japanese counterparts, our energy consumption through indirect energy conservation can be reduced by more than one half. 3) Increasing the processing intensity and raising the ratio of high-grade products. For example, our alloy steel amount to only 4.9 percent of the steel output, whereas it is as high as 15 percent in West Germany and 16 percent in the United States. The utility of each ton of alloy steel is equivalent to that of 2 tons of ordinary steel. Increase in the production of high-grade products can increase the output value several times over, and thus reduce indirect energy consumption by several times. Again, if some petroleum plant mainly producing heavy oil will switch from preliminary processing to intensive processing, the output value throughout the country can be increased by 2 or 3 billion yuan and the energy consumption can be reduced by 20-30 percent. 4) Reduction of raw and semifinished material consumption. In 1980, for example, the proportion of steel that can be made into rolled steel in our country was 73.2 percent, 14.7 percent below the level of Japan. If it can be raised to Japan's level, the annual output of rolled steel can be increased by more than 5 million tons. Since we can save more than 2 tons of energy in producing each ton of rolled steel, our total indirect energy conservation will result in a saving of more than 10 million tons. 5) Promoting comprehensive utilization. For example, many mineral resources are of the intergrowing type. In prospecting and exploitation at present, we are looking for only one type of ore. If we will carry out comprehensive prospecting and exploitation, we will be able not only to increase production but also to carry out indirect energy conservation. There are also other important methods of indirect energy conservation, such as full utilization of the productive capacity of the existing enterprises, increasing the labor productivity, and so forth.

For both direct and indirect energy conservation, we have to rely on improved management and a higher scientific and technological level. At present, many enterprises do not pay attention to energy management, or have only a low standard of management. In the factories, leakage of gas, water or oil is quite common and the waste of electricity or heat is quite serious. Therefore, we must strengthen our energy management by formulating a set of practical regulations of management. High energy consumption in our country has also been caused by out-dated equipment and backward technology. For example, many industrial boilers have low heat efficiency, and it is estimated that each year, the coal consumption throughout the country is several tens of million tons above the normal level. We must attach great importance to the role of advanced science and technology in energy conservation and carry out technical transformation in a planned and systematic way with energy conservation as the central task. Japan achieves great success in energy conservation because of its great attention to management and technical transformation. The ratio of its total national output value to its energy consumption was 1:1 before 1973, is now 1:0.7, and will be 1:0.4 in the 1990's. As long as we are ideologically aware of the need to conserve energy, strive to improve our energy management and carry out technical transformation in addition to other necessary measures, the task of energy conservation can certainly be fulfilled.

### 3. Reduce the Construction Period, Increase Fixed Asset Investment Returns

The task of "quadrupling" calls for a good job in key construction projects. Whether or not we can concentrate the necessary financial and material resources, particularly in the first decade, to guarantee the success of the state's key construction projects is also a crucial question of whether or not we can lay a firm foundation for the vigorous economic development in the following decade. Whether the key construction projects can be successfully completed is in turn decided by the availability of accumulated funds for the scope of construction as well as by the improvement of investment returns. The returns of capital construction investments has a very strong impact on the amount of funds required for the key projects. For example, provided the national income is increased by the same amount, a higher investment coefficient (the investment coefficient here means the amount of investment required to add each yuan to the national income) requires more investment and a lower investment coefficient requires less investment. Capital construction does not have this characteristic, that is, it "withdraws labor-power and means of production for a long time without supplying any product as a useful effect in the interim."<sup>3</sup> Therefore, if the construction period is long, the period in which the investment does not yield any product will also be long. On the other hand, if the construction period is short, then the period in which the investment does not yield any product will also be short. At present, our investment in fixed assets has poor returns and huge funds are tied up in the process of construction. We must attach great importance to the effects of investment returns on the rate of increase in the total industrial and agricultural output value.

Our investment returns were fairly good during the First Five-Year Plan. According to some comrade's calculations, every 100 yuan's investment in fixed assets during the First Five-Year Plan brought an average increase of 58 yuan in the national income; and during the Second Five-Year Plan, it was lowered to 34 yuan. Our investment returns during the First Five-Year Plan was good even compared with those of foreign countries. In 1971-1978, for example, every 100 yuan's investment in fixed assets increased the national income by 49 yuan in the United States and Japan, and 52 yuan in England and France. The good investment returns during the First Five-Year Plan were by no means coincidental. They were a demonstration of the superiority of socialist planned economy as well as the result of a deliberate improvement of investment returns. The "First Five-Year Plan for the Development of National Economy" clearly stated: "In capital construction, the state calls on the leading organs of all departments and localities to allocate their funds rationally, to use their funds frugally and to avoid the dispersal and waste of funds; and in building or rebuilding every enterprise, the state urges that every effort be made to reduce the construction cost as much as possible, to fully raise the efficiency of investments as quickly as possible, and to fulfill the targets set by the state for lowering the costs." These stipulations are still of great guiding value today.

One of the manifestations of poor investment returns is the long construction period. The average construction period for large and medium-size projects in the country was 6.5 years during the First Five-Year Plan. It was prolonged to 13.2 years, or more than doubled during the Fifth Five-Year Plan. According to an analysis conducted last year on 463 large and medium-size civilian construction projects, which were still under construction, 129 of them required a construction period of more than 10 years; 103 of them required 8-10 years; 153 of them required 5-8 years; and 78 of them required less than 5 years. Long construction periods are a common phenomenon in heavy industry, light industry, agriculture, forestry, water conservancy and civilian construction projects. Even for those projects of technical measures which were expected to show their results in the same year, 2 or 3 years and sometimes even longer periods were required for their completion. Long construction period is an important cause for high construction cost, excessive use of funds and long periods of investment recovery. According to our calculations, the wages of the construction force of the enterprises owned by the whole people alone will increase the outlay by 5.5 billion yuan, if the average construction period for all projects in the country is prolonged by 1 year. During the First Five-Year Plan, the funds being used on the projects still under construction accounted for 62.9 percent of the total annual investments; in 1980, they were raised to 149 percent. Thus an additional sum of more than 40 billion yuan was tied up, and shortening the construction period is an important task in improving investment returns.

Another problem, to which we should attach great importance is that many newly constructed and commissioned enterprises produce poor economic results. Some projects, even long after their completion, do not have their productive capacity or cannot measure up to their designed capacity, and some of them, in their regular operation, gain only little profit or even incur loss. According to the statistics on 503 large and medium-size new enterprises which were in regular operation in 1970, each 100 yuan's investment in fixed assets produced only 54 yuan in the output value, 38.5 percent lower than that of the former large and medium-size enterprises. The profit and tax provided by every 100 yuan's investment was only 13.2 yuan, 56 percent lower than those of the former large and medium-size enterprises; and the investment recovery period was 9 years and 4 months, being 2.6 times that of their former counterparts, which was only 3 years and 7 months. According to another source--an investigation conducted by the First Ministry of Machine Building--the investment in the large and medium-size projects during the First Five-Year Plan could be recovered in 3 and a half years after their completion and regular operation; however, in 1979, none of the projects completed and commissioned since 1970 could produce enough for a complete recovery of the investment. Up to 1979, one-seventh and one quarter of the projects completed and commissioned during the Third and the Fourth Five-Year Plan respectively incurred net losses.

To improve our investment returns, we have to work in different fields. At present, it is particularly important that planned administration over capital construction should be strengthened. There should be a unified plan and differentiated administration for fixed asset investment. The necessary funds for construction should be placed at the disposal of the central authorities, and the proportion of the state's budgeted income in the total national income should be maintained at approximately 30 percent. The funds for investments as arranged in the budget by the central authorities should be reserved for centralized use so as to ensure the construction of important energy bases, railway trunk lines, important ports and raw material bases, while construction in other fields should mainly be arranged by the localities, departments or enterprises under feasible conditions. Attention should be paid to the control of the scale of capital construction so that blind or duplicate construction can be prevented. Feasibility studies and advance capital construction work must be conducted before any project is determined. The construction enterprises must be thoroughly reorganized so as to raise their management level. We should also attach very great importance to the role of science and technology, and bring into full play such role on the improvement of investment returns.

#### 4. Improve Economic Results in the Sphere of Circulation, Conserve Circulating Funds

Marx once said: "During its time of circulation, capital does not perform the functions of productive capital and therefore produces neither commodities nor surplus value." "The longer its aliquot parts stay in the sphere of circulation, the smaller must be the part functioning in

the sphere of production. The expansion and contraction of the time of circulation operate therefore as negative limits to the contraction or expansion of the time of production or of the extent to which a capital of a given size functions as productive capital.<sup>4</sup> Although in direct reference to capitalist production, this passage nevertheless shows that regulative role of economic results in the sphere of socialist economic circulation on the rate of development in production cannot be ignored.

Economic results in the sphere of circulation in our country have been poor for a long time and up to now have not yet taken a turn for the better. A salient feature of these poor economic results is that excessive circulating funds have been tied up. According to our calculations, at the end of 1981, the circulating funds being used by the state-run enterprises amounted to 354.5 billion yuan. With the addition of another 21.7 billion yuan being used by the collective industrial and commercial enterprises, the total amount of circulating funds reached 376.2 billion yuan, exceeding the amount in 1980 by 35 billion yuan or 10.3 percent. The total national industrial output value was increased by only 4.1 percent, and the total volume of retail sales, excluding the factor of increased commodity prices, actually increased by 7.2 percent. Thus the increase in the amount of circulating funds far surpassed that of production or circulation. In 1981, the total amount of circulating funds was almost equal to the national income of the same year. As we understand, in some foreign countries (such as West Germany), the social inventory amounts to approximately one-third of the total national income, whereas in our country at present, the social inventory is close to the total national income.

How much of the total circulating funds was unreasonably used in 1981? According to estimates by the relevant department, approximately 17 billion yuan was unreasonably used by the industrial enterprises; approximately 10 billion yuan, by the material supply and marketing enterprises; approximately 10 billion yuan in domestic and foreign trade; and approximately 3 billion yuan by collective industrial and commercial enterprises, all totaling more than 40 billion yuan. This figure was derived from a comparison of the stock of principal products with the designated normal stock, and this so-called normal stock was determined according to the old customs. Compared with those of other countries, its standard is very low. For example, a 7-9 month period is considered to be the normal time for a turnover for steel materials, although it is 2-3 times longer than in West Germany and Japan. Therefore, the actual amount of circulating funds being unreasonably used is even larger. However, even 40 billion yuan, turned into fixed assets, can help increase our industrial output value by 40 billion yuan each year. Furthermore, according to the rate of profit delivery and tax payment by state-run industry, that is, 25 yuan for every 100 yuan of capital, the state will be able to increase its revenues from profits and taxes by 10 billion yuan.

The developments and new problems in the use of circulating funds at present are: First, excessive stockpiling of finished products produced by the enterprises. According to a survey conducted by the department concerned on 317 industrial enterprises in 1981, the output value of these enterprises increased by 3.4 percent over the previous year, and the funds tied up by the stock of finished products were increased by 21.9 percent. In the past, it was usual for raw and semifinished products to be overstocked; now the overstocking includes finished products as well. Second, the increased stockpiling of consumer goods. Two years ago, the stock of the means of production, such as steel and mechanical and electrical parts, was rather heavy; last year, the stock of consumer goods was also greatly increased.

The amount of circulating funds being used reflects the various problems in our spheres of production and circulation. It shows the inconsistency of the pattern of production with that of consumption and the existence of blind construction and production. It also shows the poor quality and high production costs of some products which do not sell well; and the obstacles in the channels of commodity circulation, particularly the obstacles in the flow of industrial products to the countryside. The excessive use of circulating funds also hinders the smooth operation of some departments in reproduction. For example, because of the excessive stocking of chemical fiber fabrics last year, restricted production has to be enforced this year. However, if they can be sold in the countryside, it will not only meet the peasants' needs but also promote the development of the textile industry. From this, we can see that excessive use of funds in the sphere of circulation is not only a waste of money, but also a handicap to production.

Comrade Zhao Ziyang pointed out: "In our country, stockpiling is increasing year after year. This has become a chronic disease." "The total amount of circulating funds is far in excess of what should be needed. If their turnover can be accelerated and the amount used can be reduced by 2-3 percent, we will be able to save 7-10 billion yuan." We must discover the cause of our poor economic results in the sphere of circulation, cure this chronic disease, reduce our stock of materials, accelerate the turnover of funds and ensure the attainment of our strategic objective.

#### FOOTNOTES

1. See "The Question of Japan's Economic Results" by Doborowenski of the Soviet Union, Beijing Publishing House, pp 330-301
2. "Collected Works of Marx and Engels" Vol 26 (II) p 598
3. "Collected Works of Marx and Engels" Vol 24, p 396
4. "Collected Works of Marx and Engels" Vol 24, pp 141-142

## NATIONAL POLICY AND ISSUES

### PROBLEMS OF ECONOMIC RESULTS IN INDUSTRIAL ENTERPRISES STUDIED

Xiamen ZHONGGUO JINGJIWENTI in Chinese No 1, 1983 pp 19-24

[Article by Ye Zhuanggen [0673 8369 2704]: "On the Question of Improving Economic Results in Industrial Enterprises"]

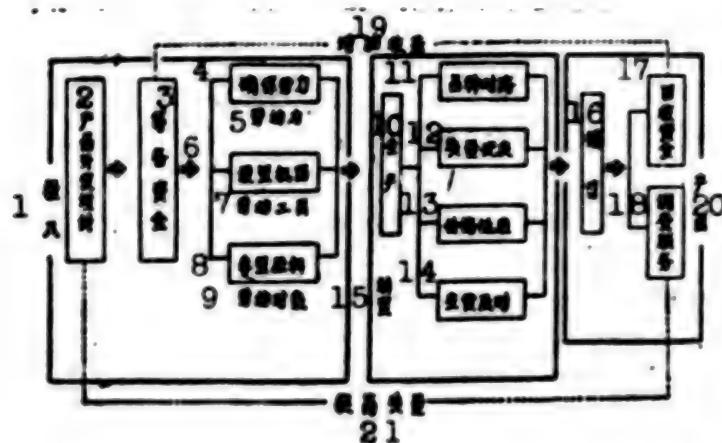
[Text] Our socialist enterprises are economic units under the socialist system of public ownership. Raising the level of enterprise management and improving their economic results are important conditions and requirements for the high-speed development of our national economy and the accomplishment of the four modernizations. In his report on the work of the government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang correctly sized up the economic situation in our country, pointed out the way for future development and emphasized that in order to blaze a new trail characterized by a fairly steady tempo and better economic results, yielding more substantial benefits to the people, we must implement the 10 principles for economic construction. These 10 principles provide the key to the improvement of economic results. This is a prerequisite for more substantial benefits to the people as well as the best guarantee of a sustained national economic development. Therefore, in considering all economic questions, we must treat the improvement of economic results as our main starting point. The purpose of our economic readjustment and restructuring is to obtain optimal economic results that are consistent with the socialist goal of production. A socialist enterprise must strive not only to complete its production task but also to obtain optimal economic results with minimum labor consumption. Therefore, we must treat the improvement of economic results as the starting point and the goal in enterprise management.

The so-called economic result is an expression in terms of value of the comparison between output and input, or the comparison between the "gain" and the "expenditure."

For energy and machinery, the proportion of output to the input is usually less than 100 percent; in economy, however, it should be more than 100 percent. The form of expression is:

$$\text{Economic result} = \frac{\text{Output}}{\text{Input}}$$

In the productive activities of an enterprise, this means whether one unit of input can result in several units of output. If the result, according to this formula, is equal to one, it means that the value created by labor is only sufficient to maintain simple reproduction. If it is less than one, it means that the labor has been fruitlessly spent, and that even simple reproduction cannot be maintained. It must be more than one before the enterprise can carry out expanded reproduction, make its contribution to the society in raising the people's standard of living, and help in the rejuvenation of the motherland. Therefore, economic result is a comprehensive index reflecting all activities of an enterprise, because more output and less input will show better economic results. To achieve good economic results, we must produce more products suitable for social needs with minimum consumption of labor and materials. For an enterprise, where will better economic results come from? How can economic results be improved? Please look at the following figure.



**Key:**

1. Input	11. Product in demand
2. Products designed	12. Fine quality
3. Funds raised	13. Low price
4. Labor power assured	14. On time delivery
5. Labor power	15. Change
6. Machinery installed	16. Marketing
7. Instruments of labor	17. Fund recovery
8. Raw materials procured	18. Investigation service
9. Object of labor	19. Increasing benefits
10. Production	20. Output
	21. Improving quality

The enterprise continually increases its benefits in the input-output cycle as shown in the figure. The economic result is also shown in the value increased in the input-output process.

However, this increased value is, on the one hand, created by labor in the process of production and on the other hand realized from the circulation of the created value. If there is only the creation [by labor] without the realization [through circulation], there cannot be increased value or better economic results. Therefore, the enterprise's economic result must embody the following "three unities." First, economic result must represent the unity of value and use value. An enterprise can achieve real economic results only when it can simultaneously increase its fruits of production in the forms of material objects and use value, reduce its consumption in production, and in particular produce products which can meet social needs in quality, varieties, designs and quantity and are easily marketable in order that their value and use value can be realized. Second, economic result must embody the unity of production and circulation. The value created in the process of production must be realized in the process of circulation, since the benefits derived from production must be obtained through the process of circulation. If we are only concerned with production and disregard circulation, and the products remain unsold for a long time either because they are unwanted in society or because the channels of circulation are obstructed resulting in damage or deterioration of quality, these products cannot become social wealth, and there will be no economic results to speak of. Third, economic result must embody the unity of the increase in production and the practice of economy. On the one hand, we must do our best in reducing consumption; on the other hand, we must strive to produce more goods that can meet social needs. There cannot be any good economic result if we increase our output by increasing our consumption excessively; if our reduction of consumption leads to a large-scale reduction of output; or if our products are produced in a sloppy way.

An enterprise has the duty of not only creating value, but also of realizing value. In other words, it must not only strive to increase production and practise economy, but also pay attention to marketing and other services. It must attach great importance to both management and operation, and have not only the skill of management but also a strategy of operation. It must make every possible effort to improve its economic results.

The economic results of an industrial enterprise's production and operation are usually reflected in a series of interrelated indices. Under the conditions of a planned economy, the way to fulfill the plans according to various economic and technical indices is generally a yardstick of its operation and management efficiency; and without a comprehensive analysis of the various indices, the quality of the enterprise's work cannot be accurately assessed. In economic management, it was the practice in the past to stress output as the criterion for judging the quality of the enterprise's work, and this practice led to scramble for investments, equipment, supplies and manpower. The result was the overstocking of supplies. The enterprises were also induced to disregard economic results or the results of expenditures. Even though the supply of products to the society was increased, the economic results were not improved. That is why the current readjustment of the national economy includes not only the readjustment of the product mix and service orientation of the enterprises, but also the restructuring of their system

of management and their policies of operation. At present, the assessment of industrial enterprises is based on eight different economic and technical indices, namely, output, varieties, quality, consumption, labor productivity, production cost, profit and use of funds. Among these eight indices, that of output plays the decisive role. In other words, the amount of output has its direct effect on the fulfillment of the other seven indices. It is true that the magnitude of the result of production should be used as a yardstick of the enterprise's performance in production, but it is not the only yardstick. In fact, the satisfactory completion of production tasks does not as a rule mean good economic results for the enterprise. However, calculation on the basis of the majority of indices changes along with the change in the factor of output. For example, the calculation on the basis of the total industrial output value index, the labor productivity, the amount of funds spent on every 100 yuan's output value, the profit rate on output value and so forth, are all based on the total industrial output value. At the same time, the level of production cost and the amount of profit are to a large extent decided by the amount of output, while the amount of output, in the case of nonferrous mines, is decided by the conditions of resources of the mines, such as the grade levels and the amounts of available energy which are beyond the control of the enterprise. In evaluating economic results, therefore, we should, in accordance with the system of indices, conduct a comprehensive analysis on the results of production and management of the enterprise itself and the actual value it has created for the state. As to the use of the total industrial output value [as an index], the state has attached greater importance to the aspect of use value in industrial production, or the aspect of changes in the quantity of materials, in studying the rate of increase in material wealth in the industrial sector of the national economy so that it can observe the proportionate relationship among various departments, study the progression of motion, and provide data for policy decisions and the formulation of economic plans at the higher levels. This method can certainly serve some useful purpose.

In the total industrial output value, however, there is some transfer value with the defect of duplication in calculation. The use of the total industrial output value as the main index for guiding, supervising, examining and evaluating the economic results of production in enterprises in the past had many shortcomings, since, among others, it cannot encourage the enterprises to organize their production according to the requirements of the society and the state. Comrade Sun Yefang [1227 0396 2455] said: "The most serious defect of total output value as an index is that it cannot meet the requirements of enterprise management or of production."

Under the new conditions, therefore, it is certainly necessary to study and find out what are the suitable economic and technical indices which the state should use for measuring the comprehensive economic results, so that through the verification of these main economic indices and the analysis of their interrelationship, we can achieve a harmonious coordination of various aspects of reproduction by the enterprise and then

understand and master the law for raising the levels of its operation and management. Through the use of these economic and technical indices, we will be able to make full use of the existing material and labor resources, and then, with the overall situation in mind, carry out unified planning and rational arrangements in economic activities, weigh the gains and losses comprehensively, pay special attention to the key issues, give full play to people's subjective initiative, improve the economic results of the enterprises to the utmost and then accurately assess their contributions.

Therefore, a comprehensive system of indices is necessary for the evaluation of the economic results of enterprises.

In evaluating and verifying economic results, we should observe the entire process of reproduction in the enterprises instead of using a single index. A system of indices is necessary for a comprehensive verification on the basis of an analysis and verification of the main economic indices. Economic result index is different from economic accounting index, since, according to the economic accounting index, the result of an enterprise's economic activities is calculated from certain fixed aspects, and sometimes there are such contradictions as increased output accompanied by higher production cost or reduced consumption followed by deterioration of quality.

An economic result index is the index for verifying all economic and technical aspects (including the fulfillment of contractual obligations) and comprehensively evaluates the result of economic activities. It is a derivation as well as a synthesis of economic accounting.

Economic result index is relative, and should consider three different factors:

1. Changes in prices. The changes in the prices of raw and semifinished materials and in the selling prices have a bearing on the enterprise's profit or loss and on the amount of its profit. This extraneous factor should be considered, but it cannot serve as the basis for the evaluation of the economic results of an enterprise.

2. Changes in quantity. This means the production of certain products and in certain amounts to bring about maximum profit. Some products should be of fine quality to be sold at high prices; others to be sold at small profits but in large quantities.

3. Changes in quality. If a product is of good quality and its designs and varieties are well received by the public, it will be quickly sold and its use value will also be quickly realized.

Therefore, in measuring the economic results of an enterprise, we should note its profitability and stability (such as the margin of increase in profit, the proportion of funds owned by the enterprise itself in the total circulating funds, and so forth), as well its flexibility (the adaptability of its products to the market and the position they occupy on the market).

The various economic and technical indices of economic activities in industrial enterprises reflect the economic results of their operation and management from various aspects within a certain limit. In exceptional cases, some reflect from only one aspect; others reflect fairly comprehensively. Sometimes, they reflect the quantity; some times, the quality. Some of them are expressed in money; others are expressed in kind.

The details of the economic result indices of enterprises vary according to different trades. However, they are all finally expressed in value. In the majority of cases, a comprehensive quality index is used in studying comprehensive economic results in the form of money.

In studying the system of indices of the results of the economic activities of industrial enterprises, we must first understand the system of the main indices in their reproduction. The process of reproduction among industrial enterprises begins with the use of funds, and ends with the acquisition of financial gains through supply, production and marketing.

I. In the process of production and marketing, we should treat the profit rate on funds as the main standard for measuring the improvement of economic results in an enterprise.

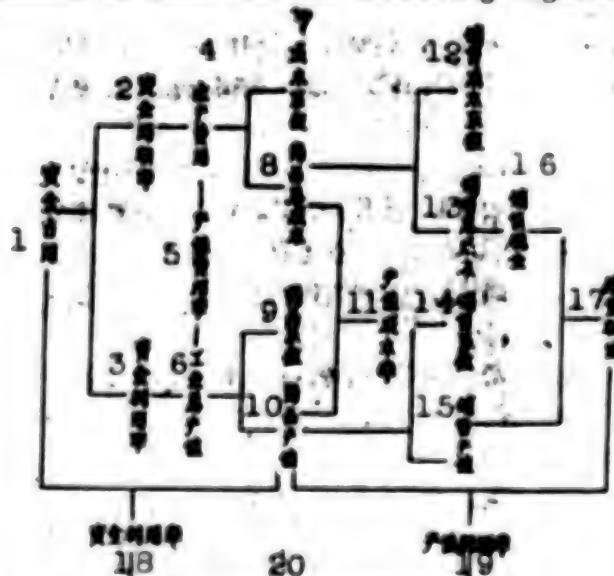
The formula of profit rate on funds is:

profit rate on funds = 
$$\frac{\text{amount of profit from sales in 1 year}}{\text{average funds used in 1 year}}$$

or - profit rate of funds = fund utilization rate x profit rate on output value

To make better use of funds, the "funds" in the index of fund profit should refer to the entire portion of funds participating in the economic activities of the enterprise, including its own funds, borrowed funds, the fixed assets (at original value) and the circulating funds.

The system of comprehensive economic result indices with profit rate on funds as the main component is shown in the following figure.



**Key:**

1. Funds used
2. Turnover rate of funds
3. Utilization rate of funds
4. Production expenditures
5. Proportion of expenditures to output value
6. Total industrial output value
7. Cost coefficient
8. Total production cost of commodity
9. Commodity coefficient
10. Commodity output value
11. Proposition of production cost to output value
12. Marketing cost coefficient
13. Total marketing cost
14. Marketing coefficient
15. Value of proceeds from sales
16. Sales tax
17. Sales profits
18. Fund utilization rate
19. Profit rate on output value
20. Profit rate on funds

Profit rate on funds is an important yardstick of the level of production, operation and management in an enterprise as well as an important index for evaluating an enterprise's comprehensive economic results. The method is to compare the profit from sales with the amount of funds used, and to use the final result as a means of examining the economic results of the enterprise's fund utilization. It can also show the comprehensive economic results of the activities of the enterprise in production and management. Since funds mark the beginning, while sales profit marks the end of reproduction in an enterprise, the changes in all quantity and quality indices which show the success or failure of the policy decisions by the leadership of the enterprise, the high or low level of production, good or poor operation on the market, fast or slow fund turnover and so forth will be ultimately reflected through the movement of economic results on the profit rate on funds. Therefore, if we will make good use of the profit rate on funds--the most comprehensive index--for an all-round examination of an enterprise, we will be able to improve the results of all its economic activities and its management, since all these activities center around the profit rate on funds.

In our country at present, profit rate on funds is the principal index in the system of indices that is able to reflect the common character of all trades as well as the economic results of enterprises most comprehensively. It is more effective than labor productivity, profit rate on costs and, profit rate on wages in merging labor consumption, the possession of labor power and the results of business operation into one single entity which will reflect the increase in labor productivity and the consumption of raw materials as well as the result of fund utilization. Therefore, we must use profit rate on funds as the main index for measuring the enterprise's economic result before we can correctly evaluate the level of its business operation and management. The advantages are as follows:

1. Profit rate on funds can directly reflect the economic results of state investments and the speed of investment recovery.
2. Examination of the existing enterprises' operation and management level with profit rate on funds can help them reduce their fixed assets and stock of raw materials, and encourage them to raise their equipment utilization rate.
3. Profit rate on funds is convenient for a comparative analysis on the management of enterprises in the same trade.
4. It reminds the enterprises about the need to use funds fruitfully, to practise economy, to eliminate waste, to lower the production cost and to increase profit and accumulation in order to contribute to the four modernization drive.

Because of the increase of decisionmaking power for management, the enterprises are now in a position to decide on their own plans of production and investment. The quality and quantity of their products must be adapted to the constant changes in the market and the price fluctuations. Relying on the reduction of production cost to raise the profit rate on output value without paying attention to the utilization of funds is no longer suitable for the new conditions. We should start out by raising the profit rate on funds and then carefully analyze the results of fund utilization. This is even more important to the improvement of the comprehensive economic results of enterprises.

## II. The net output value should be used as the basis for calculating the per-worker output value as an auxiliary index of the improvement of economic results in an enterprise.

Lenin pointed out: "In the final analysis, labor productivity is the most important and most principal means to guarantee victory for the new social system." Continual increase in the per-worker output value is an important indication of the superiority of the socialist system in our country. We must highly regard the rational use of our labor resources and increase people's efficiency in order to create more wealth for the state.

Although the amount of labor power possessed by an enterprise is reflected through the payroll in the amount of circulating funds it possesses, this amount cannot reflect the changes in the amount of labor power possessed. Labor utilization is an independent factor. Therefore, attention to labor productivity is an important way to guarantee the completion of the enterprise's basic task. There must be continued rise in labor productivity before the enterprise can develop its production with greater, faster, better and more economical results and guarantee the completion of its basic task. We must create more wealth with less labor before there can be gradual improvement in people's cultural and material lives on the basis of production development, and before more

products and funds can be provided for the accomplishment of the four modernizations. Therefore, labor productivity is another important indication of the economic results of an enterprise. In the past, however, labor productivity was based on the total output value. Since the transfer value in the total output value may give rise to the defects of duplication in calculation, the fruits of labor cannot be truthfully reflected in the total output value. That is why we should change over to the method of calculating the per-worker output value on the basis of net output value which is more realistic. Net output value is the remaining value after the deduction of transfer value from the total social output value. It reflects the newly created wealth which is the basic standard for determining the economic results of enterprises.

Since net output value is the value newly created by the activities of production, it will increase along with the increase in output as well as in the reduction of labor consumption. Therefore, in addition to showing the speed of production development, it also reflects the economic results. Again, since it can indicate the results of increasing production and the practice of economy, it is convenient for analysis and comparison and can help raise the level of enterprise management. For this reason, calculating the per-worker output value on the basis of net output value as an auxiliary index of economic results can more comprehensively reflect, and help us evaluate, the results of enterprise management.

### III. In using special funds, we must examine the results of investment.

Special funds are those from special sources and for special uses other than the basic tasks of the enterprise. They mainly consist of funds for the renovation and transformation of fixed assets, major repair funds, allocations for scientific and technological expenses, enterprise funds and workers' welfare funds. The sources of these funds and the scope of their use are all stipulated by the state. Aside from those specially allocated, these funds are all built up by the enterprises themselves. The special loans for financing small technical projects also belong to special funds. These loans are to be redeemed out of the above-quota profits. After the redemption, the enterprise has to build up its own special funds with their profits.

To expand the financial power and strengthen the system of economic responsibility among the enterprises so that the interests of the state, the enterprise and the workers can be well combined, the state will change the present system of appropriating workers' welfare funds and enterprise funds according to the total payroll, and gradually introduce the method of profit retention, whereby the workers' welfare funds will be included in the enterprise funds. Also included in the enterprise funds are the production development funds, collective welfare funds and the workers' bonus funds. The amount of enterprise funds appropriated in the preceding year will serve as the base figure, and the share of base profit to be retained will depend on how the planned indices have been fulfilled. The increased profit will be shared and retained. By this change, the

enterprise will have more funds, which will help arouse the enthusiasm of the workers and staff members and adds to the responsibility of the enterprise for its funds. The efficient management and use of special funds by the enterprise is of great significance in arousing the enthusiasm of workers and staff members, in correctly handing the relationship among the state, the enterprise and the workers and staff members, in promoting production, and in improving the workers' health and livelihood and the collective welfare.

In examining and inspecting special funds, besides the receipt and use of special funds in accordance with regulations of the state's system, we should also find out how reasonably these funds have been spent and, in particular, examine the economic results of these funds. Therefore, it is also very important that the results of investment in the form of special funds should be included among the indices for the evaluation of economic results. The formula of calculation is:

$$\text{Rate of special fund investment returns} = \frac{\text{Annual net profit}}{\text{Investment}}$$

$$(\text{annual net profit} - \text{annual sales proceeds} - \text{annual operating expenses} - \text{taxes})$$

To sum up, I believe that using the system of indices--in which profit rate on funds plays the leading role with the per-worker output value as a subsidiary--in combination with the enterprise's special fund investment returns for examination is consistent with socialist economic laws; and that the use of the enterprise's reproduction and the combination of macroeconomic and microeconomic results would be a more suitable standard for the comprehensive examination of an enterprise's economic results.

#### How can industrial enterprises improve their economic results?

In his work on the work of the government at the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang pointed out: The crux of the problem is to do all we can to get better economic results in areas of production, construction and circulation. We should blaze a new trail in our economic construction for the attainment of better economic results. Premier Zhao laid down 10 principles for economic construction, and these principles embody the general principle of readjusting, restructuring, reorganization and improvement, all based on the experiences accumulated in the past 32 years, and particularly in the past 3 years. Our industrial enterprises must conscientiously implement these principles so as to improve their economic results.

To improve their economic results, the industrial enterprises must carefully handle the "three relationships."

First, the correct handling of the relationship between microeconomic and macroeconomic results. In our country, the economic results of industrial enterprises and the national economic results are identical. However, there can sometimes be contradictions. To give the enterprise some benefits, there must be no "eating from the same pot." However, the enterprise cannot decide on its own economic activities only for its own benefits. It must bear in mind the overall interests of the national economy and must not jeopardize the state's interests simply for its own interests. Microeconomic results must be subordinate to macroeconomic results. This is a basic principle for socialist industrial enterprises.

Second, the correct handling of the relationship between production management on the one hand and science and technology on the other.

To improve the economic results of industrial enterprises, we must pay attention to business management as well as science and technology. New technology, new work processes and new equipment can usually bring great economic benefits. We did not pay enough attention to this point in the past and many achievements in scientific research could not be popularized or applied in production in time to produce economic results. There were many scientific research projects, in which no personnel were organized promptly for tackling the key problems. As a result, we failed for a long time to make any breakthrough. These problems should be solved. Of course, technical renovation and technical transformation should fit in with our national conditions and take our own roads.

Third, the correct handling of the relationship among responsibilities, rights, gains and interests within the industrial enterprises.

In the present industrial enterprises and plants, the ground is littered with gold all over. To get hold of this gold, we must rely on the system of economic responsibility and carefully handle the relationship among economic responsibilities, economic rights, economic gains and economic interests in the departments and between various links within the enterprise.

All the units whose receipts and payments in the process of production can be calculated and which have their own accounting of profits and losses may set up the system of economic responsibility in the form of offsetting payments with receipts. The workers engaged in production may have production quotas and other targets in saving raw materials, work and expenses as the main features of their system of economic responsibility. The sections and offices which have no direct receipts but only payments may have set expenditure quotas and the system of economic responsibility can be set up for them in the form of contracts. For some units (such as the design units), the system of collecting charges may be gradually enforced so as to increase their economic responsibility and improve the quality of their work or work efficiency. To link economic gains with the enterprise's benefits, we must first be

sure that after the handing in of profits to the state, the major portion of the remainder should go to the state before the share of the enterprise can be increased and the individual workers and staff members can have more income. The portion retained by the enterprises should be mostly used in developing production and not be disposed of in the "divide-all and eat-all" way.

To link the economic gains with the workers' income, there should be distinctive responsibilities, simple procedures and direct benefits. While encouraging those in the first line of production, we should also consider those in the second line of production in the manner of giving prominence to the key points without forgetting the others.

For expanded reproduction mainly in the intensive way, there are many methods to improve the economic results of industrial enterprises. The main ones are now as follows:

1. Reduce substandard and discarded products, upgrade the products and look for benefits by raising the rate of up-to-standard goods and the proportion of goods suitable for rating purpose.
2. Adjust the production of goods in excessive and short supply, improve the product mix, update the products and look for benefits by increasing the designs and varieties in popular taste.
3. Prevent tax evasion in all forms, avoid loss and waste, and look for benefits by lowering energy consumption.
4. Set material consumption quotas to save raw materials, fuel and subsidiary materials and look for benefits by lowering the production costs.
5. Make full use of the idle plant buildings and equipment, reduce work and equipment stoppage, and look for benefits by raising the utilization rate of fixed assets and the operational rate of equipment.
6. Strengthen the research of new applied technology in close coordination with production and look for benefits by popularizing the achievements in advanced technology.
7. Turn harm into advantage and waste into treasure, and look for benefits from comprehensive utilization.
8. Reform the backward technology, renovate and transform the backward equipment, and look for benefits by raising the level of technical equipment.
9. Strengthen labor discipline, organize labor rationally and look for benefits by raising labor productivity.

10. Step up technical training, strengthen the ranks of workers and staff members, and look for benefits by improving work performance.
11. Enforce the rules and regulations in work, eliminate accidents and potential hazards, and look for benefits from safety in production.
12. Keep the funds well and use them flexibly, speed up their turnover and look for benefits by reducing the tying up of funds.
13. Actively utilize foreign funds, assimilate the transplanted advanced technology, and look for benefits for strengthening self-reliance.
14. Closely combine industry with commerce and with foreign trade, strive to clear the channels of marketing, and look for benefits by coordinating production with marketing.
15. Reduce the intermediate links in business transactions, increase the sale of stockpiled goods, and look for benefits by reducing commodity circulation expenses.
16. Take a careful inventory, reduce the excessive stock and look for benefits by strengthening supply control.
17. Strengthen the transport dispatching system, reduce the number of empty runs, and look for benefits by curtailing transportation expenses.
18. Carefully conduct feasibility studies, carry out advance work well, and look for benefits by shortening construction periods.
19. Have better staff and simpler administration, control the expenses and look for benefits by economizing on administrative expenses.
20. Encourage mutual support and coordinated action and look for benefits by increasing work efficiency.

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CSO: 4006/305

## NATIONAL POLICY AND ISSUES

### QUESTION OF ARABLE LAND ANALYZED FROM ECONOMIC STANDPOINT

Xiamen ZHONGGUO JINGJIWENTI in Chinese No 1, 1983 pp 44-48

[Article by Xia Chunag [1115 4514] and Hu Hue [5170 2588]: "An Economic Analysis of the Question of Arable Land in Our Country"]

[Text] As we all know, according to the theory of the sources of wealth in Marxist political economy, all wealth (either as the means of production or the means of subsistence) come from labor and land as the final sources. "As William Petty puts it, labor is its father and the earth its mother."<sup>1</sup> Marx pointed out: "The original sources of all wealth are the soil and the laborer."<sup>2</sup> "The two primary creators of wealth are labor power and the land."<sup>3</sup>

Land, as one of the most important means of production in the society, is the foundation of the entire development of production. As the territories of different countries, land is also one of the important decisive factors of the level of productive forces in all countries.

In the class society before the socialist society, land served as a tool or condition of possession or plundering of labor. Under the socialist system whose goal is to realize communism after the elimination of classes, land is an important material foundation for developing production and satisfying people's needs.

Since the liberation, our people, under the leadership of the CPC, have achieved great success in economic construction. They have not only been basically free from hunger, poverty, ignorance and disasters, but also been enjoying much richer material and cultural lives. These are facts for all to see and are universally recognized. However, we still have shortcomings. For example, our huge population and scarcity of arable land may give rise to many new problems in economic construction. If we do not take due precaution, the consequences may be unthinkable. This article will attempt to conduct a tentative analysis on the situation of our arable land and point out the problems and their dangers in the hope that it may arouse the common concern of our people.

## I. The Composition of Our Land as Compared With That of Other Countries

In economics, there is a broad and narrow concept of land. Land in the broad sense is defined by Marx in these words: "Land economically means all conditions of labor furnished by Nature independently of man."<sup>4</sup> "The soil, economically speaking, includes water."<sup>5</sup> From this, we can see that land in the broad sense includes not only arable land, grassland, forests, water surface and territorial waters, but also the resources on the ground surface as well as underground. Land in the narrow sense, as a statistical term or as people commonly say, refers to the area of land. The land area combines with the water area to form the national territory.

The territory of a country is formed of the following components: a) land area; b) grassland area; c) forest area; and d) other areas (such as buildings and other structures).

Because of the data available and the purpose of this article, we will analyze on the first three areas, namely, arable land, grassland and forest, with particular reference to arable land.

The area of arable land in our country is 1,489 million mu; that of grassland, approximately 4 billion mu; and that of forests, approximately 1.83 billion mu.<sup>6</sup> Let us compare them with other countries in the world.

As a visual aid, a per-capita area comparison is shown as follows:

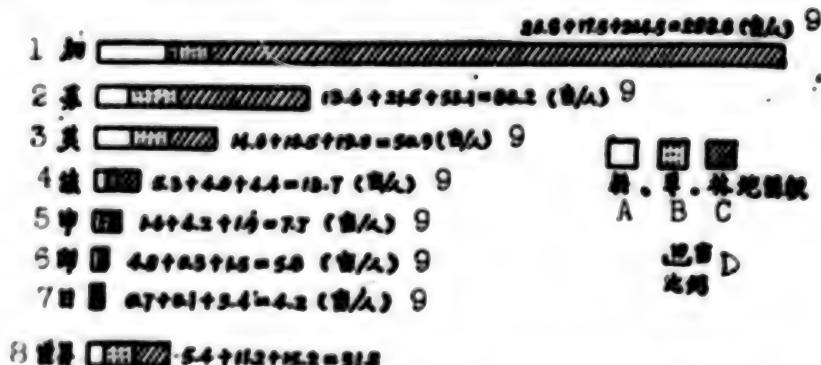


Figure 1. Per-capita area comparison chart

### Key:

1. Canada	8. World
2. Soviet Union	9. Mu/person
3. United States of America	A. Arable land
4. France	B. Grassland
5. China	C. Forest
6. India	D. 10 mu scale
7. Japan	

From this, we can see that the area of our territory ranks third in the world. Even an elementary school student knows that our country has "a vast territory and abundant resources." However, since we have also "a huge population," the per-capita area is fairly small. In our country, the area of either arable land, grassland or forest area for each person is far less than in Canada, the Soviet Union and the United States of America; it is only more than in India and Japan. On the average, our arable land, grassland and forest area is less than one quarter of the world average. Our arable land area in particular for each person is only one-third of the world average.

Our per-capita arable land area is one of the smallest in the world. In view of this, people engaged in both theoretical and practical work all keenly feel that the strict control of our arable land area and the prevention against its shrinkage are very urgent tasks of the moment. Therefore, in his "Report on the Work of the Government" to the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang said: "Our country has a vast population but not enough arable land; this contradiction will become more and more acute as the population increases. Our state policy should therefore be to treasure and use every inch of land rationally."

## II. Changes in Area of Arable Land in Our Country

### 1. How the area of our arable land has been increased and decreased

Since the founding of the People's Republic, we have expanded the area of arable land by approximately 489 million mu through reclamation of waste land.<sup>7</sup> The area has also been decreased by a total of approximately 468 million, leaving a net increase of 21 million mu. The result of a comparison between the increase and the decrease is shown in Figure 2.

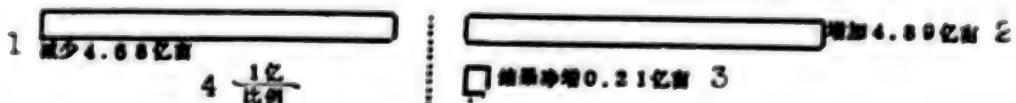


Figure 2. Increase and Decrease Compared

#### Key:

1. Decrease: 468 million mu
2. Increase: 489 million mu
3. Net increase: 21 million mu
4. 100 million scale

Now let us do some figuring. If there has been no decrease at all since the founding of the People's Republic, we will have 1,957 million mu; and if there has been no increase--that is, no increase through land reclamation--then our present area would be 999 million mu, as shown in Figure 3.

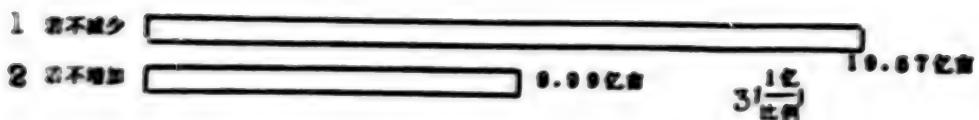


Figure 3. A hypothetical situation

Key:

1. If no decrease: 1,957 million mu
2. If no increase: 999 million mu
3. 100 million scale

Obviously, the result of a rapid increase with a slow decrease will be vastly different from that of a rapid decrease with a slow increase.

It should be added that, as we all know, most of the newly reclaimed land is located in the remote areas where farming facilities, such as irrigation, are inadequate, and fertility is low. The situation with the lost arable land is the reverse, since most of it has been fertile farmland in the city suburbs or the plains where farming facilities and fertility are certainly better.

2. Changes in the area of arable land in our country.

According to statistics, the area of arable land in different years since the founding of the People's Republic is as follows: 1949, 1,468 million mu; 1952, 1,619 million mu; 1957, 1,677 million mu; 1962, 1,544 million mu; 1965, 1,554 million mu; 1970, 1,517 million mu; 1975, 1,496 million mu; and 1977, 1,489 million mu.<sup>8</sup>

These were evidently the actual figures in those years, that is, the actual area after the increase and the decrease are taken into account.

Based on the total area and the per-capita area of arable land in these years,<sup>9</sup> charts showing the changes in the total area (Figure 4) and the per-capita area of arable land (Figure 5) are given below:

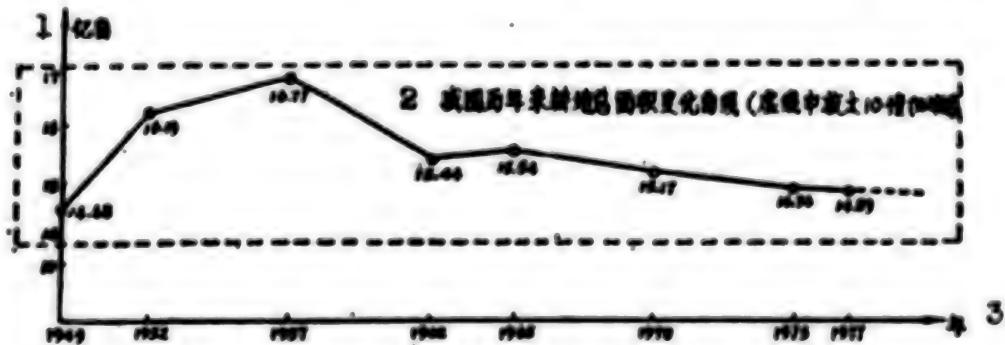


Figure 4. Changes in total area in 1949-1977  
Key on following page.

Key:

1. 100 million mu
2. Curve showing changes in different years (axis of ordinates enlarged 10 times)
3. Year

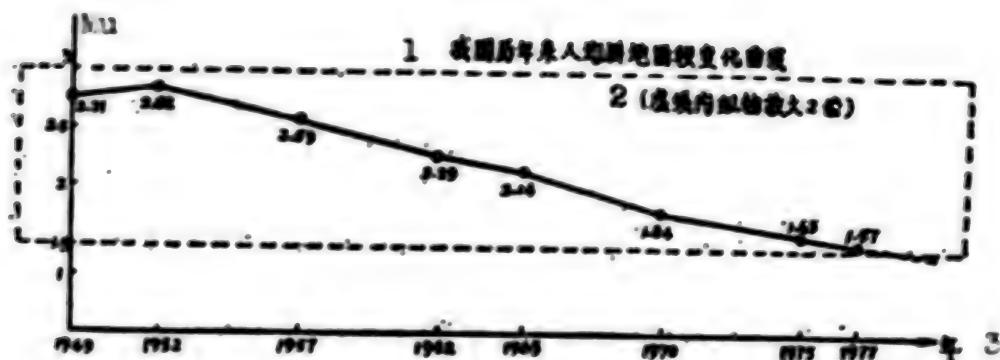


Figure 5. Changes in per-capita area in 1949-1977

Key:

1. Curve showing changes in per-capita area in different years
2. Axis of ordinates enlarged two times
3. Year

For clarity, the distance represented by the curve within the dotted lines has been duly enlarged. (This by no means affects the essence of the problem or the accuracy of the figures.)

3. A simple analysis of the changes in the area of our arable land.

We can clearly see many conditions from the curve of changes given. Now we will conduct a simple analysis.

1) The area of our arable land, either total area or per-capita area, has been decreased by a wide margin since the founding of the People's Republic, and the decrease in per-capita area is even more serious. This shows, first, that we failed to pay due attention to land or arable land in agriculture; second, that the effects of capital construction and soil erosion have been very serious on the arable land; and finally, that our population has decreased without planning.

2) The decrease in our arable land area was most rapid in 1957-1962 and 1965-1975. This shows the serious losses our country has sustained in agriculture. After 1957, the so-called "communist wind" movement began, causing serious setbacks to our agriculture and our entire national economy. Then after 1965, there was the 10-year turmoil which brought our entire national economy to the brink of collapse. These facts were confirmed by the situation of our arable land.

3) In 1949-1959, our arable land area increased by a fairly wide margin. There was also a slight increase in 1962-1965. The former was the period of the First Five-Year Plan, and the latter was the period of readjustment of the national economy.

4) Our per-capita arable land area had an upswing in 1949-1952. This shows that our population growth had not yet exceeded the scope permitted by the increase in arable land. The national economy developed fairly normally during the First Five-Year Plan as shown here.

### III. Dangers of Decrease in Our Arable Land

Compared with 1957, when the area of our arable land was the largest, the area was decreased up to 1977 by:

$$1,677 - 1,489 = 188 \text{ million mu (after deducting the reclaimed land)}$$

This is equivalent to the sum total of the present arable land area in Sichuan, Yunnan, Guizhou, Xizang and Ningxia.

Based on the conditions since 1957:

$$188 \text{ million mu/20 years} = 9 \text{ million mu/1 year}$$

In other words, there has been an average decrease of 9 million mu each year, or an average daily decrease of 25,000 mu. Thus in 15 days, the decrease was about the arable land area of a county (approximately 380,000 mu); in some 6 months, the decrease was equivalent to the arable land area of a prefecture (approximately 5 million mu); and in 3 years, the decrease was equivalent to the arable land area of a province (approximately 30 million mu). If this decrease will continue at the same speed, then in 2000, there will be a decrease of  $9 \times 200 = 1,800$  million mu, which is more than our total arable land area of 1,489 million.

If we will calculate on the basis of our present arable land area of 1,489 million mu, then

$$1,489 \text{ million mu} \div 0.09 \text{ mu (per annum)} = 165.4 \text{ years}$$

In other words, if we do not control our arable land, then at the 1957-1977 rate of decrease, our present arable land will totally vanish in less than 166 years (the "not distant future").

This situation is shown in Figure 6.

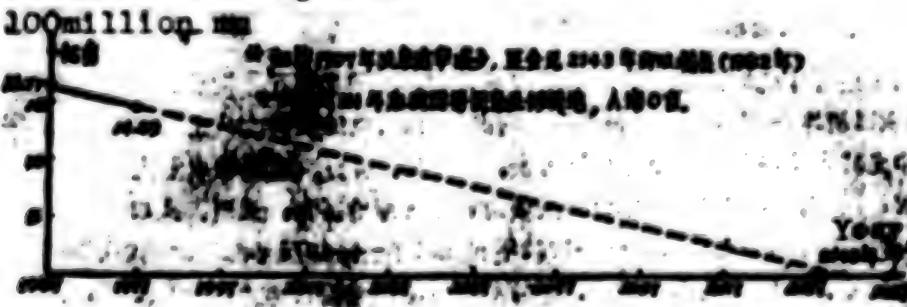


Figure 6. Trend of decrease in arable land at the same rate as since 1957

\* If the decrease continues at the same rate as it has been since 1957, then in 2143 A.D. that is, in 161 years (beginning 1982), there will be no arable land in our country, and the per-capita area will be zero mu.

#### IV. Causes of Decrease in Our Arable Land

Such being the danger of the decrease in our arable land, the outcome should be very obvious, if we will only make some comparisons and do some figuring even without the help of any mathematician. Any ordinary person can understand this without the aid of computers or a multiple-variable system of equations.

As we can plainly see, the strict control of our arable land area and the prevention of its decrease should be an unshakable national policy.

As to the causes of decrease in arable land, we may mention the principal ones as follows:

##### 1. Occupation of land by capital construction.

Because of the rapid development in various sectors of the national economy since the founding of the People's Republic and the failure to take into account the "cost" of land in construction, there has been no economized use of land and the area being occupied by capital construction projects is fairly large.

Statistics shows: (1) Our urban construction projects, plants, mines, highways, railways, water conservation projects and military installations have taken up approximately 200 million mu of arable land, at an average rate of some 7 million mu each year. (2) The rural construction projects, including farmland capital construction, field roads, production facilities, commune member housing, commune-run and production brigade-run enterprises altogether have taken up approximately 150 million mu of arable land at an average rate of some 5 million mu each year.<sup>11</sup>

Furthermore, because of the improvement in our national economy in recent years, urban and rural housing and particularly the commune-run and production brigade-run enterprises have continued to increase the use of arable land.

##### 2. Soil erosion, encroachment from deserts and flood due to natural causes or the destruction of the ecological balance.

According to the estimate of some relevant department, our land (including grassland, forest land and evidently mostly arable land) is being decreased by at least some 6 million mu each year because of soil erosion.<sup>12</sup>

It is also estimated that in 30 years since the founding of the People's Republic, the area of deserts has increased by approximately 300 million mu.<sup>13</sup> Thus some arable land has become deserts.

### 3. Other causes

Examples of other causes for the decrease in arable land are the abandoned fields, fallow fields, false reports (in some localities, arable land is used as so-called "standby fields."), and the use of arable land for other purposes (such as for planting trees, thus transforming arable land into forests; or for growing grass, thus transforming it into prairie). Strictly speaking, the arable land used this way has not been actually decreased. The decrease under this category is different from the other two.

Having tentatively and superficially studied the changes in our arable land area and the dangers and causes of its decrease, we earnestly hope the comrades engaged in rural work will carry out to the letter the directive that "to develop the rural economy, we must first of all, put existing arable land to more rational use," which was contained Premier Zhao Ziyang's report to the Fourth Session of the Fifth National People's Congress; and will strictly control the area of arable land, prevent its gradual decrease, treasure and use every inch of land rationally, and look for some way consistent with our national conditions to resolve the contradiction between our large population and the scarcity of land for the welfare of our future generations. This is what we hope to achieve by writing this article.

#### FOOTNOTES

1. "Das Kapital", Vol 1, pp 57, 553, 663.
2. Ibid.
3. Ibid.
4. "Das Kapital," Vol 1, pp 668, 202.
5. Ibid.
6. Based on "China's Basic Agricultural Conditions" edited by the policy research office of Ministry of Agriculture, 1979, Agriculture Publishing House, pp 5-7. Figures up to 1977.
7. Ibid, p 33.
8. Ibid, pp 32-33.
9. Ibid.
10. Based on "Study in Construction Economics" Magazine, No 3, p 24.
11. "China's Basic Agricultural Conditions", pp 33, 34. 8, 7.
12. Ibid.
13. Ibid.

## NATIONAL POLICY AND ISSUES

### 'JINGJI RIBAO' ON ENTERPRISES PAYING TAXES

HK010629 Beijing JINGJI RIBAO in Chinese 23 Mar 83 pp 1, 2

[Commentator's article: "It Is Necessary to Carry Out Substitution of Taxes for Delivery of Profits in Two Steps"]

[Text] According to the spirit of the Fifth Session of the Fifth NPC, the substitution of taxes for profits in big and medium-sized enterprises delivered to the state should be carried out in two steps. The first step provides for both taxation and profit sharing, that is to say, a certain proportion of an enterprise's profit is paid to the state as income tax, while the remainder is divided appropriately and in different forms between the state and the enterprise. Being different from big and medium-sized enterprises, small state-owned enterprises can thoroughly substitute profit delivery with tax payment in the first step. The second step provides for the collection, when the price system has in the main become appropriate and the level of enterprise management has been gradually raised, of a progressive income tax in accordance with the amount of profit earned by a big or medium-sized enterprise together with a local tax. This two-step scheme conforms with the actual conditions in our big and medium-sized enterprises and is favorable to speeding up the reform of substituting tax payment for profit delivery.

At present, huge disparities in profits earned by different enterprises still exist in our country. For example, the ratio of profits to funds used by the coal industry trade throughout the country is merely 1 percent; this figure in the machine-building industry is about 10 percent; in the chemical industry, about 20 percent; while in the textile and petroleum industries, the ratios are 40 percent and over 50 percent, respectively. With regard to different enterprises, the ratio of profit to capital is less than 1 percent; but in other enterprises, the ratios may be as high as 100 percent or even 200-300 percent. In some cases, the differences in the profit margin may be related to the quality of management in various enterprises; but in other cases, they should be attributed to some objective factors, such as irrational prices and differences in equipment, resources and technical conditions. Under these circumstances, the work of substituting tax payment for profit delivery will be very difficult if it is not divided into two steps but is carried out in a way that progressive income taxes, local taxes and other taxes are immediately imposed on all large and medium-sized enterprises so as to replace the delivery of profits. The reason is that taxes must be collected according to the relevant tax rates

must be uniform throughout the country, otherwise the substitution of tax payment for profit delivery will lose its significance and will show no difference from the previous practice of profit sharing. However, when great disparities in profit earnings exist from one enterprise to another, the enforcement of a tax with a uniform rate will make many enterprises fail to retain the part of profits that are their legal interests or even fail to pay the due amount of taxes. On the other hand, many other enterprises may retain more profits with an amount exceeding the legal amount of profit retention after paying taxes according to the uniform rate. In this case, the state will lose a considerable amount of income. Therefore, to accomplish the substitution of tax payment for profit delivery at one step cannot properly coordinate the interests of the state and those of the enterprises and will cause an inequality between the enterprises.

Under the present conditions that the price system is not rational and economic development is uneven, taking two steps in substituting tax payment for profit delivery can better coordinate the interests of the state and the enterprises. As the first step, the state will collect income taxes at a rate of 55 percent from profits earned by large and medium-sized state-owned enterprises. In this way, the state can be sure to draw more than half the total amount of profits earned by enterprises throughout the country. As for after-tax profits, one part will be retained by the enterprises according to standards prescribed by the state and another part will be delivered to the state. Different methods may be used to decide the percentage of after-tax profits to be turned over to the state on the merits of each case: Progressive quotas may be assigned to the enterprises which have a great potential to increase production and income; fixed-amount quotas may be assigned to a small number of enterprises which have a stable profit level; fixed-ratio quotas may be assigned to some other enterprises; for still other enterprises, a regulation tax rate may be worked out according to the ratio of remaining profits to total before-tax profits and a regulation tax may be collected according to this rate by the state. By the last method, it is meant that the base amount and 1/2 of the extra amount of profits are to be taxed according to the regulation tax rate. No matter what methods are used for profit delivery, the principle that the state takes a big share, the enterprise takes a medium-sized share and the workers take a small share must be followed so as to correctly decide the base number for profit delivery and the standard for profit retention by the enterprise. Thus, the state can be certain it will reap its financial income increasing steadily and the enterprises can be certain they will retain a legal amount of profits in their hands because their different conditions are properly taken into consideration. Moreover, as future reforms of the pricing and wage systems will inevitably affect the profit-earning levels of various enterprises, taking two steps in substituting tax payments for profit delivery and leaving certain amounts of profits in the hands of the enterprises can leave certain reserves for these reforms and ensure that these reforms are carried out more smoothly. If it is not too difficult to take the first step and to change into taxes a portion of profits formerly delivered to the state, it will also be easy to take the second step. The entire process of substituting tax payments for profit delivery will thus be speeded up.

The substitution of tax payment for profit delivery is an important reform concerning the enterprise profit distribution system and the financial and

taxation systems. This work involves many fields and needs to be carried out strictly according to the relevant policies. All localities and departments must follow the relevant provisions laid down by the State Council and the unified plan drawn up by the Ministry of Finance to handle this work. They should never deviate from the right course and go their own way, which will just add new difficulties to this work. The enterprises to which the state has assigned fixed-amount quotas, progressive quotas or other quotas for profit delivery, are not required to adopt any new measures for substituting tax payments for profit delivery before the existing methods become due. All other enterprises should adopt the unified new measures for substituting tax payments for profit delivery.

CSO: 4006/426

## NATIONAL POLICY AND ISSUES

### CONTROL CAPITAL CONSTRUCTION INVESTMENT

HK310753 Beijing RENMIN RIBAO in Chinese 28 Mar 83 p 5

[Article by Ren Tao [0117 3447] and Pang Yongjie [1690 3057 3381]: "Strictly Control the General Scale of Investment in Capital Construction"]

[Text] In his report on the Sixth 5-Year Plan, Premier Zhao Ziyang pointed out: The general scale of investment in fixed assets and particularly in capital construction must be strictly controlled at a level in keeping with our national strength. This is a basic condition for stabilizing the economy and coordinating development and is a profound conclusion drawn from our positive and negative experiences in the past 30 years of economic construction. It is very important to earnestly implement this spirit.

#### A Profound Lesson Drawn From Past Experiences

The several major setbacks we have suffered in economic construction can all be attributed to the blind extension of capital construction. The first time was the 1958 "great leap forward," in which the yearly investment in capital construction increased by 12.8 billion yuan over the figure of the previous year. As a result, the appropriations for capital construction in that year accounted for 40 percent of the financial expenditure and the rate of accumulation reached as high as 33.9 percent. In the 2 years after 1958, the rate of accumulation remained at the high level of 39.6-43.8 percent. This brought about a financial deficit of more than 17 billion yuan, but the returns on investment fell by a big margin. The putting-into-operation rate of medium- and large-scale construction projects fell to about 10 percent from 26.4 percent in 1957. The second time was in 1970. The investment in capital construction in that year increased by 12.2 billion yuan and the appropriations for capital construction accounted for 45.9 percent of the total financial expenditure with the rate of accumulation reaching 32.9 percent. In the 5 years after 1970, the rate of accumulation remained at the high level of 32-34 percent. The putting-into-operation rate of medium- and large-scale construction projects fell sharply. The third time occurred in 1978. The investment in capital construction that year increased by 12.1 billion yuan over that of the previous year; the appropriations for capital construction accounted for 40.7 percent of the financial expenditure; the rate of accumulation was 32.3 percent. In the next 3 years after 1978, the rate of accumulation remained at the high level of 31.6-36.5 percent. The putting-into-operation rate of medium- and large-scale construction projects in 1978 fell to 5.8 percent, which was even lower than the 1958 and 1970 figures.

The rapid growth of investment in capital construction on the above occasions brought about chain reactions: The excessively rapid growth of investment pushed up the rate of accumulation and made its growth exceed the growth of the national income of the same year; the excessively high rate of accumulation, in its turn, caused a great increase in financial appropriations for capital construction and thus made the growth of financial expenditure exceed the growth of financial income, or created financial deficits. The great increase in financial appropriations for capital construction simply strained the supply of the means of production and stimulated the blind expansion of heavy industry, which inevitably affected the production of the means of subsistence, simple reproduction and the people's livelihood. When this situation came to a head, the economy had to be readjusted in a big way and the size of capital construction had to be diminished by compulsory means. This caused the discontinuation of a large number of projects which were carried to midway and led to overstocking and even total waste of large amounts of equipment, a decline in production or even its suspension in many plants serving capital construction, and holdup in the work of construction workers. All this resulted in uncountable waste and losses to our economy in the past. It was really a profound and painful lesson for us.

#### New Conditions and Problems at Present

Since the 3d Plenary Session of the 11th CPC Central Committee, our work has been set to rights and the historical lesson has been drawn. Under the Sixth 5-Year Plan, the volume of investment in capital construction is set at 230 billion yuan and this size is an appropriate one. However, after the overall situation in the national economy was improved, signs of sharp increases in investments involving extrabudgetary funds reappeared in 1982. Many localities and units, having bigger decision-making power and more funds under their control, embarked on quite a few construction projects not included in plans. According to initial statistics of the relevant departments, the 1982 gross investment volume in capital construction by whole-people-owned units exceeded the relevant state plan and showed a sharp increase as compared with the 1981 actual figure. The absolute amount of this item reached an all-time high. At the same time, the amount of funds not included in state budgets greatly exceeded the amount of funds subject to the budgets. We must pay serious attention to this new situation.

Besides the reappearance of the excessively rapid increase in extrabudgetary investments, we found that these investments mostly were not made in the right fields. They were mainly made in processing industries. A number of textile, light industrial and daily-use mechanical and electrical enterprises were built and these blind developments caused unnecessary repetition. However, no substantial increase in investments has been seen in the fields of energy production and transportation. As a result, although the amount of investment in the energy industry did slightly increase, its proportion in last year's total investment was even smaller rather than greater than that in 1981.

The above situation shows that the size of investment in capital construction in 1982 virtually deviated from the course of maintaining an overall balance. However the state of affairs in 1982 was different from the three rash advances

in the past and the main differences can be seen from the facts that there was no unrealistically high target and the target for economic designated in the state plan was 4-5 percent, that agricultural production continued to grow in an all-round way, and that the commodity supply in the markets was in good conditions with "buyer's markets" for some consumer goods coming to exist. This shows through a few years of economic readjustment, the ratios between accumulation and consumption and between agriculture, light industry and heavy industry have been basically arranged at an appropriate level. But we should notice that this result was achieved through nearly 3 years of readjustment at a high cost and it did not come easily. However, because the excessively rapid growth in the size of last year's capital construction, some symptoms of abnormal tendencies have appeared.

1. The growth in investment in capital construction greatly exceeded that in the national income and this made the rate of accumulation rebound to 30 percent. The percentage of investment in capital construction in the national income also markedly increased.

2. The absolute amount and percentage amount of the growth in investment in capital construction also greatly exceeded those in the state financial income. Though a fairly large part of this investment derived from extrabudgetary funds and bank loans which did not directly affect the financial balance, the credit balance, however, was indeed affected. Last year, the basic balance between credit inflows and outflows was achieved mainly by relying on 15.17 billion yuan of the people's savings. We must notice that it is dangerous to invest excessive amounts of individuals' bank savings in capital construction.

3. The growth in investment in capital construction greatly exceeded the increase in building materials. According to estimates, the 1982 production of steel products was 8.6 percent higher than that in 1981; cement production increased by 13.5 percent; but timber production reduced by 11.7 percent. The increases in these main building materials all were greatly lower than the growth in investment. In order to make up for the deficiencies, apart from drawing on stock, we imported large amounts of steel products, cement and timber. Even so, the three kinds of building materials were still in short supply and it was difficult to meet the demands for timber and steel products which are necessary for some light industrial production.

Because the extrabudgetary investment exceeded the plans to too great a degree, technical transformation projects have been affected by capital construction projects and similarly, projects included in plans, key construction projects and simple reproduction have been affected by projects outside plans, ordinary construction projects and expanded reproduction respectively. In the field of capital construction, some indicators of economic results, after being improved through the efforts in previous years, have dropped again. For example, the utilization rate of fixed assets fell to 80 percent from 86.7 percent in 1981 (the best level since 1965); and the completion rate of buildings under construction fell to 49.5 percent from 51.4 percent. We should never repeat the previous mistakes now that the economic situation has started to go well. If this trend of blindly increasing investment in capital construction is let go unchecked, the results achieved through hard efforts in the past few years of economic readjustment will be lost.

## A Few Suggestions About Controlling the Investment in Capital Construction

In order to strictly control the scale of investment in capital construction and make it commensurate with our national strength, to ensure the proper use of construction funds and get greater returns on investment, Premier Zhao Ziyang's report on the Sixth 5-Year Plan laid down five effective stipulations. So long as we earnestly follow these regulations, we will certainly achieve good results according to our expectation. In order to better implement these five stipulations, we may consider and adopt some concrete measures.

1. In recent years, the excessively large size of investment in capital construction can be mainly attributed to the fact that funds raised by localities and units outside the state budget and bank loans were used out of control and the relevant plan targets were exceeded. Therefore, it is imperative to include various channels for investment in capital construction, and particularly the investments involving self-raised funds and bank loans into a unified plan. When plans for capital construction investment are to be drawn up, it is necessary to designate specific amounts to specific projects according to the principle of assigning concrete responsibility to different management levels. In this way, we can thoroughly change the previous practice in which various investment items were just nominally incorporated into state plans but were in fact not bound to these plans. In the future, plans for capital construction should not only designate amounts of investment derived from different channels, but should also designate returns on investment so that financial departments at all levels and construction banks can exert their supervisory role in accordance with the stipulations concerning the sources of funds and the fields of the investment.
2. Different management methods should be used to handle simple reproduction and expanded reproduction. Projects designed purely to expand reproduction are easy to discern. The problem is to classify the investment items in the name of renewal and transformation. Of them, some are items of simple reproduction and others are items of expanded reproduction. We must be careful to discern between these two types of investment. The items having the character of simple reproduction are mainly related to the question of how to properly combine this investment with technical transformation of the enterprise and a flexible manner may be adopted in this field. However, we must strictly prevent items of capital construction being carried out in the name of technical transformation. The investments in expanded reproduction items should be subject to the same strict control as those in capital construction. In general, funds should first be provided for technical transformation item and then for new capital construction projects.
3. Such economic levers as prices, taxes, credits and interest rates should be carefully used to regulate and manage the investments in capital construction so as to make them operate in an coordinated way and to guide enterprises to operate in accordance with state plans. Controlling the scale of capital construction and directing investments to correct fields, like the work in other economic fields, cannot exclusively be done by administrative means. Economic levers must be properly utilized to link the results of capital construction to the interests of investors. Only thus can we effectively exercise control over the volume of investment, direct investment to correct fields, avoid

duplicated construction and ensure the supply of funds and materials needed by key construction projects.

4. Guidance with regard to quantity and orientation should be given in the form of trade development plans. Long-term development plans and technical transformation plans in all trades will provide a foundation for distributing funds (including state investments, bank loans and self-raised funds of enterprises) on the basis of an overall balance. Funds should mainly be granted to enterprises which produce goods in short supply and energy-saving products according to plans, and be granted to the items of replacing and transforming high energy-consuming equipment in enterprises. As for the enterprises which produce goods in excessive supply and in which production capacity will exceed demand, strict control should be exercised over the supply of funds, equipment and raw materials according to different conditions.

In the fields of equipment production and material distribution, the needs of key construction projects must be guaranteed. Restrictions should be placed on construction projects outside plans. Quotas of building materials distributed to the items of equipment renewal and transformation and the management methods must be effective in preventing investments in this field from being shifted to capital construction projects.

5. People's understanding of this question should be unified and they should firmly establish in their minds the viewpoint of "coordinating all activities of the nation like moves in a chess game." All comrades engaged in economic work must realize that the improvement of economic results in the entire society is in the fundamental interest of the whole nation. While strengthening ideological education, we should earnestly sum up positive and negative experiences with regard to investment in capital construction over the past 30 years and more, adopt the most strict responsibility system, work out decrees, regulations and methods for rewards and penalties with regard to investment in capital construction as soon as possible and strengthen legislative and judicial work so as to better enforce the laws and regulations.

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## ECONOMIC PLANNING

### USING MANDATORY INDUSTRIAL PRODUCTION PLANS

HK040815 Beijing GUANGMING RIBAO in Chinese 20 Mar 83 p 3

[Article by Luo Jingfen [5012 4737 1164]: "How To Implement Mandatory Plans in the Course of Industrial Production"--passages within slantlines published in boldface]

[Text] [Abstract] /Mandatory plans possess a compulsive and administrative restrictive power. To strictly implement the mandatory plans is the responsibility and duty of enterprises. In addition, the mandatory plans set strict demands on the departments responsible for the work of the enterprises. In order to implement the mandatory plans, it is necessary to make a success of the balance between and the coordination of production, supply and marketing and to pay close attention to the application of the law of value./ [End abstract]

The mandatory industrial plans are authoritative plans which are directly transmitted by the state to the state-operated industrial enterprises. Normally, they are principally transmitted in the form of quotas in kind by people's governments at various levels and departments in charge of planning according to subordinate relations. The plans stipulate what, how much, how and when hold the enterprises produce, and they have compulsive and administrative restrictive power. While high-level departments concerned provide a guarantee for the corresponding conditions, the state-oriented industrial enterprises as units which implement these plans should strictly implement them. Whether the plans are satisfactorily accomplished or poorly accomplished is a basic criterion for appraising and evaluating the efficiency of the enterprises and the results of management and the work of the workers. Thus, to strictly implement the mandatory plans is the responsibility and duty of the enterprises.

In China, to the economic activities of the state-operated enterprises, mandatory plans are in a sense a kind of restriction and the departments in charge of the transmission of these plans bear a heavier responsibility. The reason is that whether the enterprises can accomplish the mandatory plans is to a very large extent determined by whether departments at high levels can provide the enterprises with the necessary external conditions for normal production and management, in addition to the need for the enterprises to strive to improve business management. The supply of raw and processed materials, fuel and power and the marketing and sales of products are very important. Departments in

charge of transmission of the plans and distribution should make a success of the distribution and supply of the important goods and materials required by the enterprises for the accomplishment of the mandatory plans. That means it is necessary to allocate and allot goods and materials as needed according to the output and supply quotas of the products fixed by the production plans which are transmitted to the enterprises. The quantity, variety, standard, size and technical performance of the goods and materials provided should meet the needs of production as far as possible. Departments at higher levels should not disengage themselves from the responsibility or make a breach of it. When the responsible departments transmit the mandatory plans for industrial production to the enterprises, if they cannot accordingly provide an adequate guarantee for the supply of goods and materials required for maintenance and production at the same time, it is difficult for the enterprises to implement the mandatory plans. The mandatory plans will then lose its seriousness and become plans for reference which people are free to accomplish or not as they wish. There is still another problem. In order to ensure that the mandatory production plans are accomplished, it is necessary to transmit other mandatory production plans to enterprises which produce the raw and processed materials, fuel and power required for the production of the products in question. Thus, mandatory plans will not be defined solely according to the importance of the products and the enterprises but also according to the nature of the tasks and the supply situation. Consequently, the mandatory plans will be like clusters of grapes. For example, if a mandatory plan for the production of a certain mechanical instrument is transmitted to an enterprise, then it is necessary to transmit mandatory plans to the enterprises which produce the principal raw and processed materials, auxiliary materials, products in short supply and complementary products for the production of the mechanical instrument. Otherwise, we have not provided the necessary guarantee for the supply of the goods and materials required for the production of the mechanical instrument in question.

Responsible departments of the enterprises should, together with departments in charge of distribution of goods and materials or commercial departments, purchase all the products produced according to the mandatory plans. They mean it is necessary to practice state monopoly for purchase and marketing. We must purchase all the products. We should not purchase part of the products and shift the difficulties in selling the products onto the enterprises and force them to find markets themselves. Since the production targets are rigidly set by responsible departments of high levels, naturally they should be responsible for the marketing of the products. If the products produced according to the arrangements of the mandatory plans are not marketable (of course, in formulating the plans, we should try our best to avoid such a situation), departments in charge of goods and materials and commercial departments should purchase them and store the in warehouses. The banks should ensure that the enterprises can make money by selling the products and that they have sufficiently circulating capital. From this, we can see that to implement the mandatory plans is by no means an easy matter. The plans set strict demands on the responsible departments of the enterprises.

/First, the responsible departments of the enterprises should accurately calculate and examine the overall productive capacity of the enterprises. In addition, they should also carefully investigate and predict the structure and

volume of popular demands, master and understand commercial information and market information, be realistic in fixing the production targets, including the demands on quantity, quality, variety, standards, design and color and so on./ In implementing the plans, when the situation of demand and supply changes, it is necessary to take quick action and carry out timely adjustments so as to bring about a balance between product mix and the structure of demand and avoid the losses caused by the overstock and selling out of the products. In addition, the responsible departments should also make the enterprises pay attention to the markets and change the past situation in which they passively assumed responsibilities for the plans but paid no attention to the market situation.

/Second, in distribution and supply of raw and processed materials, it is necessary to calculate strictly according to the supply quotas and establish the corresponding system of cancelling after verification./ If there is no scientific goods and raw materials supply quota or a perfect system of quota management, then the state, departments, provinces, counties and enterprises keep their own independent accounts and it is difficult to tell whether there is a breach in planning. While giving consideration to waste in transit, waste in storage and the fixed quantity of rejects within the limits permitted by the plans, the supply quotas should be worked out on the basis of the technological quotas. It is necessary to first work out the technological quotas according to the requirements of the designs of the products before considering how much to produce, to whom the goods are supplied, when and how often the goods are supplied, ways and distance of transportation, storage facilities and the level of management of the enterprises and carrying out the necessary adjustments. Thus, requirements of production are met with the proper variety and quantity of goods and materials at the proper time. In this way, we can meet the requirements of the [word indistinct] of the mandatory plans.

/Third, in the sales of products, it is necessary to handle well the contradictions between the industrial departments, goods and materials supply departments and commercial departments./ Since the commercial and materials and goods supply departments proceed from accelerating the circulation of capital and the promotion of the results of management in the circulation sphere, they always purchase the marketable products but seldom or even do not purchase the products which are not marketable. Thus, the purchasing plans are divorced from the production plans. In this way, in implementing the mandatory plans, the industrial enterprises worry that the products proceed according to the mandatory plans are not marketable and that they cannot get the necessary compensation for the labor consumed. Since production tasks are determined by responsible departments at higher levels, naturally, the industrial enterprises are unwilling to bear these responsibilities which entail economic risks. In order to solve this contradiction, it is necessary to successfully link industry with commerce. Before they transmit production plans to lower levels, the departments in charge of commerce should consult with materials and goods supply and commercial departments and jointly predict public demands. If the departments in charge of industry make erroneous predictions, the goods and materials supply and commercial departments have the right to refuse to bear economic responsibility.

/Fourth, at present, the state-operated enterprises have begun to pay attention to promoting economic results, moreover, they pay more attention to the individual quotas of economic results than to the overall economic results./ There is both harmony and mutual-promotion and contradictions and mutual-restriction between various quotas of economic results such as the quotas of quantity, quality, efficiency, consumption and production cost. For a long time, when the responsible departments at higher levels emphasized the importance of a certain quota of economic results, the enterprises always temporarily sacrificed other quotas of economic results in order to satisfy the departments at higher levels. Judging from the overall situation, the economic results thus achieved are not necessarily the best. Thus, in implementing the mandatory plans, the responsible departments at higher levels are required to put forward the best combination of quotas of economic results. This combination should in most cases not be a combination of the best economic results achieved in history but a combination of some good results and some poor results. This combination should facilitate the rational utilization of social resources, help meet the needs in consumption of people at various strata in society and provide customers with the right goods. This work involves painstaking technological and economic analysis and research. If the responsible departments at higher levels do not have enough cadres who are proficient in production technology and economic work, it is very likely that the quotas of economic results transmitted to lower levels will not be in keeping with actual circumstances and hence fail to promote social economic results. In addition, in the light of existing regulations, whoever adopts new technology and develops new products suffers losses. Thus, the enterprises would rather adopt old technologies and produce old products. In China, about 70-90 percent of the scientific and technological results achieved are not popularized or applied and hence they cannot form a social productive force. This problem should also be solved in the process of implementing the mandatory plans.

/Fifth, in implementing the mandatory plans, it is also necessary to pay close attention to making use of the law of value and various economic levers and to ensure that the enterprises can obtain equal shares of economic results in comparison with society as a whole, or, to put it another way, the ratio of returns to capital they deserve./ In principle, since the plans are mandatory plans, whether they are beneficial to the enterprises or not, it goes without saying that the enterprises must organize production according to plans. However, economic reality tells us that, if we pay little attention to the reasonable economic results of the enterprises, in accepting the planned tasks, the enterprises will bargain over the prices, use both soft and hard tactics, force the quotas down, do their utmost to exaggerate the economic results of the enterprises and raise the quotas. All these affect the implementation of the plans. In the process of implementing the plans, the enterprises always overproduce high-priced and very profitab- - - - - icta hence make the results of implementation different from what are planned. There is such a view that, since we are in a period of adjustment, the rational application of the economic levers is restricted by many conditions, for the part of industrial production in which the economic levers cannot normally function, it is more necessary to carry out control through the implementation of mandatory plans. This means regarding the implementation of the mandatory plans as the product of the denial of the law of value and malfunctioning of the economic levers. This view, which regards the

mandatory plans as an opposite to the role played by the law of value, is open to question.

For a long time, we have suffered much and paid a high price in this regard. Since the founding of the PRC, in making plans for the state-owned economy, we have persisted in implementing the mandatory plans but never announced that they should be abolished. However, since the prices and tax burdens are unreasonable and there is a wide gap between the profits of enterprises, consequently, the processing industry became increasingly well-developed while the industry of raw and processed materials (in particular the excavating of minerals) gradually diminished, products in abundant supply were blindly developed while there was a shortage of certain products and the enterprises were unwilling to do their jobs according to the mandatory plans, which ran counter to the requirements of the law of value. Should we not draw a lesson from the fact that an imbalance between the profits of producers causes an imbalanced economic development?!

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ECONOMIC PLANNING

YUNNAN HOLDS MEETING ON COLLECTIVE ECONOMY

HK111039 Kunming YUNAN RIBAO in Chinese 24 Mar 83 p 1

[Report: "Restore the Characteristics of the Collective Economy and Run Collective Enterprises Well--Provincial Conference of Light Industrial Bureau Chiefs Puts Forward Six Proposals"]

[Text] The provincial conference of light industrial bureau chiefs which recently concluded put forward six proposals on restoring the characteristics of the collective economy and running collective enterprises well.

1. Based on the small and flexible nature of collective enterprises, and to counter the ill-effects of "things being done on too large a scale" and "everybody eating out of the same big pot," small enterprises should be established and the product mix should be readjusted. Separate small-scale accounting should be set up in enterprises which cannot be suitably turned into small ones and where processing continuity is more important.
2. Enterprises should stick to the principle of setting up their own accounts and assuming sole responsibility for their own profit or loss.
3. Enterprises should stick to the principle of distribution according to work and more pay for more work. Other measures such as technical allowance for technical personnel can be adopted to ensure that their income level is not lower than that of the workers. Remunerations for staff in management departments or personnel who are not engaged in production should be linked to the management results of an enterprise and the ability of an individual. They should float, as worker wages now do. The level of remuneration for leading cadres in an enterprise who are qualified to conduct management, to raise labor efficiency and to bring marked economic benefits to the enterprises, is generally to be higher than that of workers. Specific measures in this respect can be adopted by staff and workers of enterprises of enterprises through democratic discussion.
4. Enterprises should conduct democratic management. The systems of representative assembly of staff and workers (cooperative members), board of directors of management committee, and supervision committee or group should be set up in enterprises. The representative assembly of staff and workers (cooperative members) is the highest organ of power of the enterprise. The board of directors

is the executive organ. Cadres in an enterprises are to be appointed by democratic election. Those who are incompetent are to be dismissed by holding elections ahead of schedule according to the decisions by the assembly of staff and workers (cooperative members). Those who fail to be reelected will return to their work posts if they are workers or be assigned to a new post by the personnel department if they are cadres of state organs.

5. Enterprises should restore the system allowing staff and workers to become shareholders. Original share capital which has not been returned to the shareholders among staff and workers is to be recognized. New collective enterprises should begin to implement this system soon after they have been established. At the end of the year, after paying off taxes, enterprises can take a certain amount of money from the profits to be used for dividends. Dividends are not to be paid out if no profits have been made. Shares should be returned to the shareholders who are to leave the factory. Collective enterprises that lack capital can raise funds by mobilizing staff and workers. The raised funds are to be returned by a present date. In general, the portion of raised funds has nothing to do with dividend distribution and losses of the enterprise.

6. Enterprises have decisionmaking power. They have the power to make flexible arrangements for production and management under state plans in line with the law and policies of the state. They have power to recruit workers to meet production requirements, to reward or punish and to dismiss them. Enterprises should only turn over taxes to the state, accumulate funds of collective undertaking and pay management fees. No departments are allowed to ask the enterprises to pay other expenses or transfer funds and things which belong to them.

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## ECONOMIC PLANNING

### 'JINGJI RIBAO' DEFINES ROLE OF ENTERPRISES

HK040830 Beijing JINGJI RIBAO in Chinese 26 Mar 83 p 1

[Editorial: "A Reform of the Industrial Management System That Involves Orientation"]

[Text] Reorganizing industry according to the principle of specialization and cooperation and establishing various specialized and integrated companies with the nature of enterprises is an important measure of the present reform of the industrial management system and is also an important way to tap the potential of our existing enterprises and to speed up the development of our industry. Some industrial companies in Shashi City, Hubei Province, have gained successful experience in this field and their experience is noteworthy.

What is a company with the nature of an enterprise? What advantages will such a company bring about? A company with the nature of an enterprise is a relatively independent economic entity, which conducts business accounting and carries out production and operation in an independent way and has to undertake economic responsibility toward the state and the enterprises subordinate to it. It must rationally organize production on the principle of specialization and cooperation with the focus on the improvement of economic results. In the field of management, it mainly uses economic means, by which factories subordinate to it achieve their economic interests according to the results of their business, so that the company is closely tied to its affiliated factories by economic interests. That is to say, the company and its affiliated factories must share weal and woe as people in the same boat must help each other. Therefore, the success in running these enterprise-type companies will help the mobilization of the initiative of factories to a full degree and will promote the rational organization of production and operation. It will also help the tapping of existing enterprises' potential which will bring about the maximum social economic benefits, help overcome the maladies derived from the practice of "eating from the same big pot," and help the reasonable separation of administrative organs from enterprises.

Unlike the companies described above, a company with an administrative nature usually manages the economy by exclusively relying on administrative means. So, it does not have such close relations with its affiliated factories in respect to economic interests as a company with the nature of an enterprise does. People in Shashi City have made a vivid description: when guiding their

affiliated factories, these companies only issue a few instructions or send personnel to do a bit of running about, just like a coach in a basketball team who doesn't need to take part in the game. These companies often fail to solve actual difficulties and problems encountered by the factories because they lack the necessary economic strength. On the other hand, these companies even levy administration charges on the factories. Some of these companies transfer backbone professionals from the factories to their organs, enlarge their size by increasing the staff and increase their spending which are eventually shifted onto the factories, and thus push up the cost of production. Because the administrative-type companies have these maladies, factories subordinate to them simply regard them as a "poor mother-in-law" who is a hindrance rather than a help and who must be supported at high cost. These companies constitute a superfluous level in the management which functions as a fetter to the factories.

In recent years, all kinds of companies have been founded one after another throughout the country. But many of them are administrative companies which are undesirable. Therefore, all companies, whether administrative ones or enterprise-type ones, should be judged by the following four criteria: 1) Whether they can help improve economic results; 2) whether they can promote the rationality of enterprises' organization and structure; 3) whether they can overcome the maladies caused by the practice of "eating from the same big pot"; and 4) whether they can provide conditions for developing into economic entities which are independent from administrative organs. As for the companies which are in keeping with the correct development orientation but do not yet have ripe conditions for becoming completely economic entities for the time being, clear plans for effecting the transition must be worked out and fulfilled within the prescribed time; as for those which cannot be transformed into economic companies but are still necessary for the time being, they are allowed to exist for a certain period; as for those administrative companies which are of no avail, they should be disbanded as they deserve. Henceforth, in the course of industrial restructuring, we must not incorporate the factories which have no economic relations into a company.

In order to successfully run the enterprise-type companies, it is necessary to expand the decision-making power of the enterprises, gradually separate the enterprises from administrative organs and turn them into relatively independent socialist economic units. The administrative departments in charge henceforth will mainly take charge of the formulation and implementation of principles and policies, of coordination, planning and service. After enterprise-type companies are established, in order to reduce the number of management levels and to improve efficiency, a part of functions of the bureaus can be transferred to the companies. When conditions are ripe, the level of bureaus may be removed from the management structure.

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## ECONOMIC PLANNING

### 'RENMIN RIBAO' ON WEIHAI CITY ECONOMIC PLANNING

HK041208 Beijing RENMIN RIBAO in Chinese 29 Mar 83 p 2

[Article by RENMIN RIBAO reporter Zhang Pingli [1728 1627 0500]: "What Weihai Tells Us"]

[Text] Abstract: The production of Weihai City increased by 500 percent; however, its population was controlled. The main experience of this city is that urban and rural economy is arranged in a unified manner, the speciality of each is given full play, everything is developed in coordination and distribution is arranged rationally. [end abstract]

The builders of almost every city wish that they can develop production and increase financial income. At the same time, they worry that the increase of production might lead to the increase of city population, which will bring about a series of problems difficult to deal with. However, Weihai City of Shandong Province was not perplexed with the above trouble.

In the early 1970's, the industrial economy of Weihai City was at the turning point of leaping forward. At that time the people roughly estimated the prospects for economic development and held that in order to make the industrial gross output of the whole city reach 400 million yuan, there would be an increase of 10,000 people. Then it would be necessary to build 85,000 square meters of new factory buildings and living quarters for staff members and workers, which would need an investment of over 9.6 million yuan and an extra supply of 8 million jin of commodity grain, vegetables, edible oil and so on. Meanwhile, culture, education, public health, communication, and commercial services in the city and its area would all have to be relatively expanded. However, up to the present, industrial production has increased and its output value raised by large margins, but there was no sudden increase in the city population.

The low rate of population increase benefitted Weihai City in many ways: there did not exist the problems of unemployment, housing, communication, public order and so on in the city, and the area of the city did not have to be expanded. Although the public facilities of culture, education, public health and commerce did not increase in number, the quality was greatly improved. Weihai City could get an investment of only some 10,000 yuan from the state for urban construction, but the urban construction

here is by no means inferior. There are extraordinary large parks and flower beds with multicolored decorations in the center of the streets. The design and color of buildings were also of a particular type and the renewal rate of old houses was over 40 percent. It is quite natural that all this relied on the abundant sources of funds which were collected by the locality itself. This also shows that because of the sparse population, urban construction was not in a situation "difficult to deal with" as in other places; it was convenient in regard to concentrating investment and ensuring the results of investment.

However, the "estimate" of that year was a bit accurate, that is, the industrial gross output of Weihai City was able to reach today's level because it was directly related to the increase of 10,000 laborers engaged in industrial production. These 10,000 workers were not concentrated in the city but were assigned to the commune- and brigade-run enterprises of the 6 communes and 200 production brigades in the suburbs of Weihai City. These commune- and brigade-run enterprises are closely linked with the factories and enterprises of the city in the form of "coordinated process of production, supply and marketing," and specialized cooperation with products as the core. They form an industrial economic system with stress on light and textile industry, multilevels of high-, medium- and low-grade products and various components of state-owned, collective-owned and commune- and brigade-run enterprises which closely connect the city with the countryside. It is precisely this economic structure that determines the rational distribution of the urban and rural population of Weihai City.

Weihai City has done a lot of work in recent years to strictly control population growth. However, the rational distribution of population mainly depends on the rational distribution and structure of economy. The industrial economic system of Weihai City was gradually formed by taking the industrial development path of "encouraging the city and countryside to manufacture different kinds of products in cooperation." Viewed at present, there were mainly two favorable conditions which allowed Weihai City to follow this path: one is that there was little heavy industry in the whole city, and light and textile industry played the leading role; and the other is that there were few state-owned enterprises, and enterprises of collective ownership constituted the larger portion. Such a state of affairs was formed in history. During the cooperative period, there was considerable development in the handicraft industry of collective ownership in Weihai City. Under the influence of the "leftist" ideas in the later periods of the 1950's, Weihai City blindly developed some state-owned heavy industrial enterprises and recruited a large number of labor forces from rural areas, which caused a series of imbalances in proportion. Later, these state-owned heavy industrial enterprises were abandoned one after another. The people of Weihai City realized the truth from this part of history that in places like Weihai, which is situated in the frontier and lacks raw material for heavy industry and where there were only a few projects invested in by the state, they could only rely on the enterprises of collective ownership and develop light industry to open up a new phase in the economy. For this reason, during the 3 years of

readjustment, Weihai City transferred part of the technical backbone, equipment and factory buildings of the abandoned state enterprises to the collective enterprises, which further laid the foundation for the development of collective industrial enterprises. During the period of the Third 5-Year Plan, the gross value of collective industrial enterprises of the whole city increased by 100 percent and profits by over 200 percent. In the early 1970's, the rapid development of industry in Weihai further intensified the existing contradiction of labor shortage. Meanwhile, along with the development of agricultural machinery, there was more and more surplus labor in rural areas of Weihai City. This problem needed a prompt solution through developing industry and sideline occupations. Under such circumstances, the method of "getting quick results with less investment" in light industry and the flexible characteristics of collective enterprises in recruiting labor forces exerted their role. The carpet factory of Weihai City first tried out the new method of linking the factory with production brigades and encouraging various localities to manufacture different kinds of products. They did not recruit rural labor for the city, but assigned part of the working procedure of carpet weaving, which needed more labor, to the commune and brigades. In this way, they not only increased the output of carpets and solved the problem of labor shortage, but also helped communes and brigades to set up industry and sideline occupations and to increase their income. The Weihai City CPC Committee summed up the above experience and discovered that the method of encouraging city and countryside to manufacture different kinds of products in coordination could not only make full use of the superiority of industrial technology and equipment of the city, but could also give full play to the role of land, factory buildings and labor of the countryside. This method of learning from each others' strong points to offset their weaknesses is bound to bring about new productive forces. Weihai City chose this path and from 1970 to 1981, the industrial enterprises of Weihai (referring mainly to the enterprises owned by the collective) helped the rural communes and brigades to set up 533 enterprises (approximately 50 percent of the total number of enterprises run by the communes and brigades of Weihai) by using the method of encouraging various localities to manufacture different kinds of products and so on. The integration of city industrial enterprises with that of communes and production brigades indeed created new productive forces. It was also these commune- and brigade-run enterprises that recruited large numbers of rural labor forces which intended to pour into the city.

Policies are also important factors that affect the movement and distribution of population. Due to the differences of ownership and status in the industrial enterprises in Weihai City, there existed some "levers," which became "steps," attracting people to leap over, that is, the people in the commune- and brigade-run enterprises intend to enter the collective enterprises in the urban area and the people in the collective enterprises in the urban area intend to enter the state-owned enterprises in the city. If we do not break through these relevant "leavers" with a series of correct and feasible policies, the people will vie with each other in leaping over the "steps," which will inevitably cause the movement toward and concentration of rural population in cities. In the course of developing economy, the Weihai City CPC Committee has always depended on the collective-owned enterprises of the

city and countryside and has adopted various measures and organized all trades and professions to support and protect them. After the 3d Plenary Session of the 11th CPC Central Committee, they attached further importance to the collective enterprises of the city and countryside and the relevant policies were also being perfected. The concrete methods were: politically, they treated cadres and workers of the collective-owned enterprises equally, without discrimination, the same as those of the state-owned enterprises. All the cadres of the collective-owned enterprises were subject to the administration of the organizational department of the city CPC committee. The nature of collective enterprises should remain as it is, their funds not indiscriminately transferred, raw materials withheld or cadres and workers willfully transferred. The wages, ration grain, labor protection facilities and so on of the workers of the collective-owned enterprises can be the same as those of state-owned enterprises. The welfare and premiums of the workers of those collective enterprises that can do a good job in production and achieve a fair economic result may exceed the level of state enterprises of the same trade. It was because of these politics that the production initiative of the vast number of workers of the collective enterprises of the city and countryside was aroused and this workers' contingent in the rural areas stabilized.

One of the main reasons why the personnel of the commune- and production brigade-run enterprises moved to and concentrated in the city in the past is that the people hold that commune- and brigade-run enterprises are "not secure"; what is more, the enterprises in the city are usually willing to recall the people, money and material "sent" to the lower levels. While the Weihai City CPC Committee was encouraging various localities to manufacture different kinds of products, they actively conducted ideological work toward the concerned factories and enterprises in the city so as to raise their consciousness in supporting the economic development in rural areas. At the same time, the following were particularly emphasized when the products were assigned to the rural commune- and brigade-run enterprises for processing: the supply of raw material, technical equipment and marketing of products should be ensured, and the products that are poisonous and harmful, the technological requirements too complicated and processing charges too low were not to be assigned to the commune- and brigade-run enterprises. Weihai City also organized diversified forms of economic integration of urban enterprises and commune- and brigade-run enterprises and combined raw material, products and profits together so that they may benefit each other. Recently, Weihai City gradually brought 30 percent of the products processed by the commune- and brigade-run enterprises into line with the economic plan at various levels.

The factories and enterprises of the city supported the commune- and brigade-run enterprises with all kinds of equipment and trained technical backbones for them, which raised highly the production and technical level of commune- and brigade-run enterprises. At present, under the guidance of the city's industry, the commune- and brigade-run enterprises of Weihai rural areas can produce more than 100 kinds of industrial products such as, knitwear, foodstuffs, clothing, machinery, instruments, chemicals, electronic goods

and so on, and the total income of the commune- and brigade-run enterprises of the whole city amounts to 84.5 million yuan. The annual income of a worker working in rural commune- and brigade-run enterprise is 65 yuan more than a worker working in the city. The stable status of commune- and brigade-run enterprises enabled 71 percent of the commune members out of the total rural labor force engaged in the production of commune and brigade enterprises, not to try to leap over the "steps" and move toward the city.

The rapid development of urban and rural economy impelled Weihai City to attach more importance to the construction of rural towns while carrying out construction in the urban area. Since the 3d Plenary Session of the 11th CPC Central Committee, the various communes of the city invested around 20 million yuan for the construction of small towns, which was more than the total sum of investment since the founding of the country. Due to the construction of small towns in rural areas, the facilities such as cultural life, education at a higher level, flourishing commodity trade, good transport service and so on that were only available in big cities in the past, are now being expanded to rural areas along with the expansion of industrial economy from city to rural areas. All this brought about a [words indistinct] in rural areas, which changed the trend of rural population moving toward and concentrating in the city. In Weihai City, rural people are unwilling to work in the city; on the contrary, it is the city people that are willing to work in the rural areas. In the dusk of the evening, the workers of Weihai City are returning home from work. On the asphalt road of Weihai's suburbs, you can see streams of people, one from the city to the suburbs and the other from the suburbs to the city, it seems that there is no trace of a boundary between the city and rural areas.

CSO: 4006/423

## ECONOMIC PLANNING

### TIANJIN'S LI RUIHUAN ON CITY REFORM

HK140916 Beijing JINGJI RIBAO in Chinese 8 Apr 83 p 1

[Report by Shi Jihuan [0670 4949 1403]: "Tianjin Mayor Li Ruihuan Says That Due to Its Specific Feature, City Reform Should Be Differentiated From that in Rural Areas"]

[Text] "We should carry out city reform by referring to the successful experiences gained in the agricultural reform, and never overlook the fact that urban areas are different from rural areas, as is industry different from agriculture. One of the key links in carrying out city reform in good order is to conduct studies and to make clear the different characteristics existing between them." So said Tianjin Mayor Li Ruihuan when speaking on reforms at the 10th municipal people's congress on city reform on 5 April.

The different characteristics are as follows:

1. A city is a densely populated area with an elaborate division of labor. Its inhabitants depend on money income to buy commodities, and they rely very much on society. Therefore, city reform should be carried out in a meticulous and planned way. While raising economic results in a unit's reform, we should on no account lower the normal level of the inhabitants' living standards or affect the interests of the broad section of the masses.
2. A city is characterized by a high level of coordination among specialized departments. If a department lags behind in the coordination, then the normal process of other departments and even the entire social economy will be affected. This calls for close link and coordination among departments in the reform.
3. A city is an economic center. If the reform is not carried out in a satisfactory manner, it will affect the national economy and the people's livelihood. We should work out an overall plan to carry out reforms in cities and industry and strive to avoid economic disorder throughout the country caused by certain units going wrong in reform.
4. Fund accumulation provided by a city constitutes a decisive factor in the state revenue. Each step taken in the reforms should ensure more revenue to the state.

5. Great differences of productive force levels and production relations exist in the city's different departments and enterprises. This complicated feature calls for various forms to be adopted in city reform.

6. City reform and industrial reform, in particular, are to a relatively great extent limited by the existing state system and policies. Therefore, we should pay attention to carrying out the reforms in some important aspects in a harmonious manner.

7. A complete corresponding organizational structure, habits and customs and value concept have been formed in the present city economic management system, though ill effects of the system have been noticed by the people. To break down this convention and adopt a new economic management system, great efforts should be made to promote people's understanding and to change their habits and customs.

8. Objectively, because of historical reasons, we have acquired a better understanding of the rural situation and agricultural production than that of the urban situation and industrial production. There are still many things which we do not know. This requires that city and industrial reform be effected through investigations and step by step.

CSO: 4006/426

ECONOMIC PLANNING

REGIONAL ECONOMIC COOPERATION CONFERENCE ENDS

HK121253 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 11 Apr 83

[Summary] The joint conference on economic cooperation in the northwestern region lasted 7 days and concluded in Lanzhou yesterday. At the conference, representatives from 13 provinces, cities and autonomous regions adhered to the principle of equality and mutual benefit and universally conducted consultation. They initially reached agreement on 29 economic cooperation items and some 120 technological cooperation items. After consultation, five provinces and autonomous regions in the northwestern region decided to import and export materials through the Lianyun port. To enable representatives to understand the overall situation in Gansu, the representatives from fraternal provinces, cities and autonomous regions went to inspect units in the province similar to their own.

"Tianjin will invest 300,000 yuan in expanding our province's ferroalloy plant. Xinjiang and our own province will jointly build the Jingchuan phosphatic fertilizer plant. After consultations, unanimous agreements on some relatively large items have been reached." In technological cooperation, our province and 11 other provinces, cities and autonomous regions have made arrangements for some 70 items. "The representatives from Tianjin proposed that they would become shareholders of the Yongdeng County battery plant by offering technological assistance. Tianjin will send people to help the plant enhance its management level. Agreement on the distribution of increased profits in proportion to the increased output value has also been reached." In exchange of materials, our province and 12 other provinces, cities and autonomous regions have also reached agreement.

The conference held: "Economic cooperation between areas is a very good way of promoting economic development. Economic development in the northwestern region is relatively slow. Five provinces and autonomous regions must make concerted efforts, closely cooperate with each other, develop together and create a new situation in economic cooperation in the northwestern region."

After consultation, the conference unanimously agreed that apart from holding a joint conference every year, the northwestern region will hold one or two brief meetings to study and coordinate cooperative economic work.

CSO: 4006/426

ECONOMIC PLANNING

BRIEFS

HAINAN DEVELOPMENT--In order to help Hainan Island speed up exploitation, in March the State Council sent personnel concerned to go deep into rural areas, state farms, wharves, ports and mining areas in Hainan Island to conduct on-the-spot investigations. Lin Hujia, minister of agriculture, animal husbandry and fishery, and Zhao Fan, a member of a party group, led 18 persons in specialized fields to the agricultural reclamation system, fishery and aquatic product departments, tropical crop research institutes, the (Nanfan) seed cultivation and production base and Qionghai and Wanning counties, one after another, to conduct investigations and study. They helped Hainan develop agriculture, animal husbandry and fishery. With a view to supporting Hainan in building a large textile mill, Li Zhengguang and (Han Chunde), vice ministers of textile industry, led three engineers to investigate fiber resources in various places in Hainan. The personnel sent by the Ministry of Communications investigated the plans for three ports--Haikou, Qinglan and Basuo. To build the (Changbang) opencut coal mine, the Ministry of Coal Industry and the provincial coal department are organizing 26 scholars and experts to hold a demonstration meeting in Haikou City. The Ministry of Light Industry also specially sent people to Hainan to conduct investigation in order to develop light industry, such as the sugar and foodstuff industries. [Text] [HK070952 Guangzhou Guangdong Provincial Service in Cantonese 1100 GMT 5 Apr 83]

CSO: 4006/423

ECONOMIC MANAGEMENT

JILIN CALLS FOR CONDUCTING REFORM IN COMMERCE

SK291133 Changchun Jilin Provincial Service in Mandarin 1030 GMT 28 Mar 83

[Report on a special visit to a provincial party congress delegate entitled "Follow the Road of Reforms"]

[Excerpt] In the last few days, delegates to the fourth provincial party congress have conscientiously discussed how to fulfill the definite task for the coming 5 years as quickly as possible. Where is the starting point for fulfilling the long-range great plan?

The delegates unanimously concluded: We should start with reform permeating the entire course of the four modernizations and then follow the road of reform.

A station reporter paid a special visit to (Zou Hongnian), director of the provincial commercial department to discuss this issue.

He flatly told us: Without reform, we have no prospects. As to relaxing the restriction of the policy, since the third plenum, peasants have become rich. The volume of their needs has doubled and redoubled. Most of the markets have been rapidly transformed from sellers markets to buyers markets. The situation demands commercial reform.

Along with the development of a diversified economy, various circulation channels and various forms of management, a competitive situation in commerce emerges. Objective factors also force the commerce department to conduct reform.

In the past, the monopoly operation and serious bureaucratic style of work made the circulation of commodities unreasonable. The commodity circulation links were complicated. The masses had difficulties in both purchases and sales, so they have expected commercial reform for a long time.

Comrade (Zou Hongnian) said with deep feeling: We must conduct reform. If we do not conduct reform, all affairs will be held up. Comrade Qiang Xiaochu's report expounded the situation of the entire province and the crucial point of commerce. The practices of "eating from the same big pot,"

"the iron rice bowl" and egalitarianism are rigidly unified in distribution. The circulation between urban and rural areas is not smooth.

Comrade (Zou Hongnian) said: In the past, though the commercial department conducted reform, the progress of reform was blocked because of its slowness and a lack of understanding. In order to achieve reform, first priority should be given to eliminating the influence of leftist ideology, to smashing the forces of habit and to breaking the bonds of outdated conventions so as to boldly conduct reform resolutely and orderly.

He told us, citing numerous facts: Reform is very effective. Where reform is conducted early, change takes place in a timely manner.

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ECONOMIC MANAGEMENT

HEILONGJIANG COUNTY REPORTS CONTRACT VIOLATIONS

SK300455 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 29 Mar 83

[Excerpts] In the course of investigating the county's wide application of economic contracts, the Shangzhi County Notarial Office discovered a serious situation of contract or even law violations. The office called for strengthened management of the economic contracts.

Over the past few years, many units in Shangzhi County have instituted the economic contract system, to the great promotion of the economy and production. However, some units violated economic contracts to a serious extent. Some units even asked for money in the name of selling products and were engaged in speculation and swindling, thus causing serious economic damage to the state, the collective and citizens. Unearthed contract violations included signing contracts with illegal units, with false agents of legal corporations, with units incompetent to fulfill the contracts or even with swindlers and criminals.

According to investigations at the supply and marketing section of the Shangzhi County second industrial department, the (Weihe) town emery plant, the forest farm of the (Zhenzhoshan) commune and the (Xiaomu) farm tool plant, 12 goods-supply contracts involving some 450,000 yuan were signed with speculators and profiteers of other localities who were engaged in illegal businesses. Some units did not make clear the main articles of the contracts, hence disputes. Some units or individuals with a weak sense of respect for the legal system did not understand that what is stated in a contract is a legal statement and, therefore, arbitrarily violated the contracts.

The Shangzhi County notarial office, after these investigations, held that all fields should be urged to strengthen the management of contracts. In addition to administrative measures, legal methods should also be taken to notarize economic contracts so as to protect legal contracts and to deal blows at economic crimes.

CSO: 4006/404

## FINANCE AND BANKING

### 'JINGJI RIBAO' ON GIVING TAXES FOR PROFITS TO STATE

HK310750 Beijing JINGJI RIBAO in Chinese 23 Mar 83 p 1

[Report: "After Instituting the System of Delivering Tax for Profits, Many Commercial Enterprises Improve Economic Results and Service Quality"--passages within slantlines denote boldface]

[Text] According to reports from the Ministry of Commerce, judging from material provided by 773 enterprises selected for carrying out experiments in 12 cities and provinces, including Hebei, Anhui, Henan, Gansu, Sichuan and Beijing, commercial enterprises have commonly improved their economic results and service quality after instituting the system of delivering taxes for profits to the state.

The above-mentioned commercial enterprises belong to various trades and professions dealing in general merchandise, textiles, hardware, communications products, electrical appliances, chemical products, food, drinks and non-staple food. They have chiefly adopted the following forms of the system of delivering taxes for profits to the state: 1) Small enterprises usually institute the eight-grade above-quota progressive tax. 2) Enterprises with great potential and high profits institute the system of delivering both taxes and profits, that is, after delivering income taxes according to stipulated proportion, they retain a due share of the profits and deliver the rest to the state. 3) Some enterprises deliver taxes according to a certain proportion, for example, in the catering service, 20 percent of the profits are delivered to the state as tax.

Gratifying changes are found in four aspects in these commercial enterprises which have instituted the system of delivering taxes for profits:

//1. These enterprises have improved their economic results and increased the income of individuals, collectives and the state.// According to statistics, of 89 commercial enterprises in Sichuan Province which have instituted the system of delivering taxes for profits on a trial basis, with the increase of economic results, in the past 3 years they have delivered to the state a total of over 70 million yuan, which accounts for 76.8 percent of the profits realized; they have retained over 17 million yuan in profit, which accounts for 19.18 percent of the total profits; and they have given to staff members and workers bonuses amounting to over 3.6 million yuan, which accounts for 4.02 percent.

//2. Management and operation of these enterprises have been improved.// Selected enterprises for experiments in various localities have universally set up various management systems with the responsibility system as the core and have raised their level of management. As a result of improvements in management and operation, the Hefei City department store, which is the first among the commercial enterprises in Anhui Province to adopt the system of delivering taxes for profits, increased its sales volume in 1982 by 11.6 percent and reduced its expenditures by 1.37 percent when compared with figures from the previous year.

//3. The staff members and workers have increased their sense of being masters of the country and service quality and their attitude has improved.// Most of the shop assistants in enterprises which have been selected for experiments have become conscientious, cordial, patient and attentive in serving customers. Many enterprises have increased their stocks by various channels in order to increase the varieties of their goods and have adopted various measures to give greater conveniency to the masses.

//4. These enterprises have got greater financial power and have improved management facilities and the collective welfare of the staff members and workers.// After the 7 large and medium-sized enterprises in Chongqing City adopted the system of delivering taxes for profits, they used funds from retained profits to extend the business floor space by 2,700 square meters and have built workers' dormitories with a floor space of 12,600 square meters.

To date, commercial departments in 19 provinces, cities and autonomous regions throughout the country have carried out experiments on the system of delivering taxes for profits in some enterprises.

CSO: 4006/404

FINANCE AND BANKING

BRIEFS

FUJIAN BANK MEETING--The Bank of China branches in Fujian will offer foreign exchange loans in Japanese, Hong Kong, British and German currencies in addition to U.S. dollars in their support of Fujian's development of energy and transport industries and technical renovation of medium- and small-sized enterprises. This was decided in the 8-day meeting of the branch presidents which ended on 30 March. There will be special foreign currency loans which can be repaid on renminbi. Short-term foreign currency loans in support of various commercial activities will continue. Annual interest rate for loans on favorable terms will be lowered to between 8 and 10 percent. Individuals can open either renminbi or foreign currency deposit accounts. [OW011339 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 30 Mar 83 OW]

CSO: 4006/404

## MINERAL RESOURCES

### URANIUM, THORIUM IN SEDIMENTARY STRATA IN SOUTHERN XIZANG STUDIED

Beijing DIQIU HUAXUE [GEOCHIMICA] in Chinese No 2, 1982 pp 182-188

[Article by Dong Zhensheng [5516 2182 3932], Chen Nansheng [7115 0589 3932] and Zhang Peilan [1728 0160 5695]: "Uranium and Thorium in the Sedimentary Strata in Southern Xizang"]

[Text] This article describes the results of field inspection and laboratory study of the sedimentary strata at Nyalam and Gangba in southern Xizang and explores the concentration of uranium and thorium in the sedimentary rock in these two areas and their patterns of evolution over time.

According to the differences in the nature of the strata and tectonic deformation, the geostrata in southern Xizang can be divided into two belts, the high Himalayan belt and the Tethys Himalayan belt. The high Himalayan belt consists of the metamorphic rock series of the Nyalam group of the pre-Sinian system, mainly schist and gneiss. The primary rock consists mainly of argillaceous and arenaceous sandstone, feldspathic sandstone, impure sandstone and clay rock with small amounts of carbonatite and basic volcanic rock. The thickness is over 10,000 meters and the degree of metamorphism has reached the hornblende facies.

The Tethys Himalayan belt can be further divided into a southern sub-belt and a northern sub-belt. The southern sub-belt consists mainly of geostrata of nearly continuous marine facies from the Sinian-Cambrian periods to the Eocene epoch. Besides the Sinian-Cambrian systems (including the Rouqiecun formation of the early Ordovician series) which consist mainly of shallow metamorphic rock series, the rest is non-metamorphic. Emergence of the geostrata is good, fossils are abundant, and the thickness is also over 10,000 meters. The geostrata are listed in Table 1 [1]. The emergence of the northern sub-belt is the geostrata of the late Palaeozoic era and the Mesozoic era consisting of sandy psephyte, slate and crystalline limestone with neutral and basic volcanic rock and radiolarian silicolite. They are flysch formations.

Table 1. Marine Facies Geostrata of the Southern Sub-Belt of the Tethys  
Himalayan Belt in Southern Xizang

(A) 时 代	(B) 地 层 名 称	(C) 厚 度 (米)	(D) 岩 性
T	(1) 之音组		(1) 块状灰岩、页岩、灰泥灰岩
	(2) 宗鲁组	383	(2) 块状灰岩夹页岩
K	(3) 基堵拉组	188	(3) 石英砂岩夹灰岩
	(4) 宗山组	278	(4) 灰岩夹钙质页岩
	(5) 洲巴村口组	530	(5) 褐色页岩、钙质页岩夹泥灰岩
	(6) 洲巴群	240	(6) 灰黑色页岩夹砂岩、钙质砂岩
J	(7) 麻且拉组	530	(7) 黑色页岩夹泥灰岩
	(8) 洲巴东山组		
	(9) 门卡组		(8) 灰黑色页岩夹砂质页岩
J	(10) 乌那拉组	1565	(9) 灰色灰岩和灰白色石英砂岩
	(11) 香普噶组	495	(10) 砂岩、页岩和石英岩
T	(12) 道日堂组	591	(11) 灰灰白色石英砂岩夹灰泥线
	曲龙共巴组	465	(12) 深灰色页岩、砂质页岩夹泥灰岩
	(14) 土	179	(13) 灰色灰岩夹砂质页岩
	木热组	99	(14) 生物碎屑灰岩夹砂质页岩和细砂岩
T	通布西组	133	(15) 灰岩夹深灰色页岩
		126	(16) 深灰色页岩与砂质灰岩互层
T	(17) 康沙热组	40	(17) 灰岩、泥灰岩
		63	(18) 深灰色页岩夹灰岩底部白云岩
P	(19) 曲布组	375	(19) 粉砂岩夹生物碎屑灰岩
	(20) 曲老日噶组	20	(20) 石英砂岩夹灰页岩
C	(22) 基龙组	730	(21) 石英砂岩、粉砂岩
	(23) 仲兴组	1888	(22) 灰色页岩夹石英砂岩及少量泥灰岩
	(24) 亚里组	60	(23) 泥灰岩、页岩互层
D	(25) 红山头组	66	(24) 灰黑色页岩夹砂岩
	(26) 上组	256	(25) 灰黄色石英砂岩
	(27) 下组	40	(26) 深灰色页岩
S	(28) 凉泉组		
	(29) 罗布组	46	(27) 石英砂岩夹钙质页岩和灰岩
O	(30) 石器组	90	(28) 砂岩、砾石页岩及灰岩
	(31) 红山头组	70	(29) 灰色页岩夹生砂岩
O	(32) 上组	97	(30) 灰红色泥质灰岩
	(33) 下组	726	(31) 灰岩夹少量砂岩
	(35) 内切村组	<237	(32) 条带和带纹状结晶灰岩(大理岩)
E-Z	(36) 北噶组	>1000	(33) 黑云母石英片岩、石英岩及大理岩
			(34) 断层带
A-Z	(37) 罗拉木组	>1000	(35) 盐晶石片岩、十字石片岩、砂线石 (36) 片麻岩、石墙石、黑云母片麻岩、大理岩、混合岩

[Key on following page]

Key:

- A. Period
- B. Name of geostrata
  - 1. Zhepure formation
  - 2. Zongpu group
  - 3. Jidula formation
  - 4. Zongshan formation
  - 5. Gangba group
  - 6. Gangbacunkou formation
  - 7. Chaqiela formation
  - 8. Gangbadongshan formation
  - 9. Menkadun formation
  - 10. Nieniexiongla formation
  - 11. Pupuga formation
  - 12. Derirong formation
  - 13. Qulonggongba formation
  - 14. Dulong group
  - 15. Dashalong formation
  - 16. Zamure formation
  - 17. Laibuxi formation
  - 18. Kangshare formation
  - 19. Shelong group
  - 20. Quburiga formation
  - 21. Qubu formation
  - 22. Jilong formation
  - 23. Maxing formation
  - 24. Yali formation
  - 25. Boqu group
  - 26. Upper formation
  - 27. Lower formation
  - 28. Liangquan formation
  - 29. Pulu group
  - 30. Shiqipo formation
  - 31. Hongshantou formation
  - 32. Jiacun group
  - 33. Upper formation
  - 34. Lower formation
  - 35. Rouqiecun formation
  - 36. Beiao formation
  - 37. Nyalam group
- C. Thickness (meter)
- D. Lithological character
  - 1. Lumpy limestone, shale with marlite
  - 2. Lumpy limestone with shale
  - 3. Silicarenite with limestone
  - 4. Limestone with calcareous shale
  - 5. Grey shale, calcareous shale with marlite
  - 6. Greyish black shale with sandstone, calcareous sandstone
  - 7. Black shale with marlite
  - 8. Greyish black shale with arenaceous shale
  - 9. Greyish limestone and greyish white silicarenite
  - 10. Sandstone, shale and limestone
  - 11. Light greyish white silicarenite with occasional coal seams
  - 12. Dark greyish shale, arenaceous shale with marlite
  - 13. Grey limestone with arenaceous shale
  - 14. Biocerititus limestone with arenaceous shale and fine sandstone
  - 15. Limestone with dark grey shale
  - 16. Intercalation of dark grey shale and arenaceous limestone
  - 17. Limestone, marlite
  - 18. Dark grey shale limestone and dolomite at bottom
  - 19. Siltstone with biocerititus limestone
  - 20. Silicarenite with dark grey shale
  - 21. Silicarenite, siltstone
  - 22. Grey shale with silicarenite and small amounts of marlite
  - 23. Intercalation of marlite and shale
  - 24. Greyish black shale with sandstone
  - 25. Light grey silicarenite
  - 26. Dark grey shale

[Key continued on following page]

Key:

- D. Lithological character (continued)
- 27. Silicarenite with calcareous shale and limestone
- 28. Sandstone, graptolithic shale and limestone
- 29. Brown shale with fine sandstone
- 30. Purplish red argillaceous limestone
- 31. Limestone with small amounts of sandstone
- 32. Striped and lamellar crystalline limestone (marble)
- 33. Biotite quartz schist, quartzite and marble
- 34. Fault
- 35. Kyanite schist, staurolite schist, sillimanite
- 36. Gneiss, garnet biotite gneiss, marble, migmatite

### I. Uranium and Thorium in Various Types of Rocks in Southern Xizang

The distribution of uranium and thorium in rocks is related to the geo-chemical properties of uranium and thorium. At the same time, it is also limited by the geological environments of diagenesis and mineralization and the composition of rocks and minerals. In addition, metamorphism also affects the migration and the redistribution of uranium and thorium.

#### (I) Uranium and Thorium in Metamorphic Rock

The metamorphic rock series of the Nyalam group of the pre-Sinian system of the high Himalayan belt in southern Xizang consists mainly of gneiss and schist, including sillimanite gneiss, alumoferro-garnet biotite gneiss, biotite quartz schist, and some kyanite schist, staurolite gneiss, quartzite and a small amount of marble. The shallow metamorphic rock of the Beiao formation of the Sinian-Cambrian systems (including the Rouqieyun formation) consists mainly of biotite quartz schist, quartz schist and phyllitic marble. The degree of metamorphism has reached the green schist facies. Between these two metamorphic rock series are emergences of muscovite-granite gneiss.

Twenty-two groups of analytical data of uranium and thorium [2] show that para-metamorphic gneiss and schist have a higher content of uranium and thorium. The content of uranium is 4.9-6.2 ppm, the content of thorium is 22-30 ppm, the Th/U is 4-5. The uranium content in alumoferro-garnet biotite gneiss reaches a high of 14.8 ppm. The uranium and thorium content in marble is relatively low. The average content of uranium is 3 ppm, that of thorium is 12 ppm, the Th/U is 4. Compared to the metamorphic rock of the green schist-hornblende facies (uranium content of 2.13-2.24 ppm) of Devon-Litterton (?) studied by J. Dostal\* and the metamorphic sedimentary rock of the hornblende facies (uranium content of 2.29 ppm) of the Sterona (?) valley in Italy, the uranium content in the metamorphic rock of southern Xizang is higher, generally over 1 to 2 times. This may be due to the difference in the content of uranium and thorium in the source region of primary rock material.

\*Qu Weizhen [4234 4850 3791], Radioactive Geology, 2 (1980).

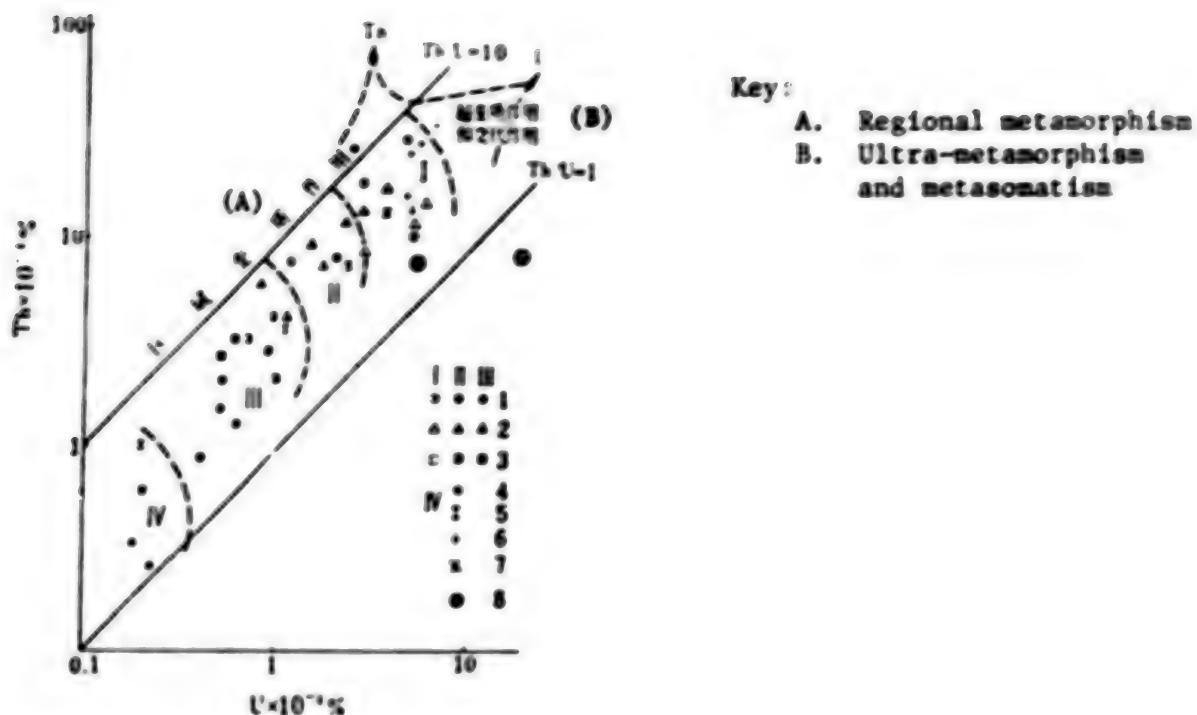


Figure 1. Content of uranium and thorium in metamorphic rock (A. A. Smyslov)

I. Green schist and achatite-hornblende facies; II. Hornblende facies; III. Granulite facies; IV. Eclogite facies.

1. Gneiss; 2. Crystalline gneiss; 3. Hornblende; 4. Eclogite; 5. Carbonate formed by metamorphism; 6. Schist and gneiss; 7. Marble; 8. Muscovite-granite gneiss.

According to the content of uranium and thorium, the metamorphic rock of southern Xizang falls within the range between the green schist facies and hornblende (Figure 1) in the graph of the uranium and thorium contents of metamorphic rock developed by A. A. Smyslov [5]. This is consistent with research results found in general petrology and metamorphic mineralogy. Although the metamorphic rock in southern Xizang is over 10,000 meters thick and the degree of metamorphism spans from the green schist facies to the hornblende facies, the variation in the content of uranium and thorium is not large. This shows that the metamorphism of the green schist facies and of the hornblende facies does not exert a great influence on the content of uranium and thorium in rocks. This is consistent with the results found in studies by J. Dostal. Similar conclusions can also be obtained from Figure 1. His research proves that the metamorphic rock with a degree of metamorphism higher than that of the hornblende facies is even poorer in uranium. He believes that the water solution produced during the period of metamorphic dehydration of rocks has washed away some of the active uranium in the rocks.

Analytical data of two monominerals, feldspar in seven samples and garnet in one sample show [3] that the uranium content in feldspar is low, 2-6 ppm, while the uranium content in garnet is high, 48 ppm. This shows that uranium is mainly present in dark minerals and accessory minerals. This is also consistent with the research results obtained by J. Dostal.

The seven groups of analytical data show [2] that muscovite-granite gneiss is visibly different from the para-metamorphic rock described above. It is rich in uranium but poor in thorium, and the Th/U value is low. The content of uranium is 4.1-27 ppm, the thorium content is 4.2-11.6 ppm, the Th/U value is 0.36-2. Liu Bingguang [0491 4426 0342] et al. [2] believes that muscovite-granite gneiss is orthogneiss. This is a reasonable assumption.

## (II) Uranium and Thorium in Sedimentary Rock

According to analytical data of tablet determination and complete rock analysis, the sedimentary rock of southern Xizang is mainly of three types, sandstone, shale and limestone.

The sandstone consists mainly of silicarenite and siltstone. The degree of maturity of silicarenite is high, the mineral and chemical compositions are both relatively simple. The main constituency is quartz, the content of  $SiO_2$  is over 90 percent, there are few types of trace elements and their content is low. Analysis of 26 samples shows that the average content of uranium is 3.2 ppm, that of thorium is 4.8 ppm, the Th/U value is 1.5. The siltstone is mostly argillaceous siltstone and a part of it is calcareous siltstone. Analysis of 23 samples shows that the average content of uranium is 5.4 ppm, that of thorium is 11.7 ppm, and the Th/U is 2.2. In the histogram of the contents of uranium and thorium and Th/U (Figure 2a), the contents of uranium and thorium in sandstone and the distribution curve of Th/U are positively biased. The curve is low and smooth. There are multiple peaks showing a greater variation in the contents of uranium and thorium. This is the result of the combination of silicarenite and siltstone as one rock type.

The shale consists mainly of silty arenaceous shale and some calcareous shale. The composition is relatively complex, there are many types of trace elements and their contents are high. The main clay mineral is hydromica. The average content of uranium in silty arenaceous shale is 7.3 ppm, that of thorium is 21.6 ppm, and the Th/U value is 3. The average content of uranium in calcareous shale is 6.3 ppm, that of thorium is 9.3 ppm, and the Th/U value is 1.5. In the histogram (Figure 2b), the bias of the distribution curves of the contents of uranium and thorium shows a neutral character. In particular, the uranium distribution curve is visible. The thorium distribution curve is multiple-peaked, showing higher contents of uranium and thorium and a greater variation in the thorium content.

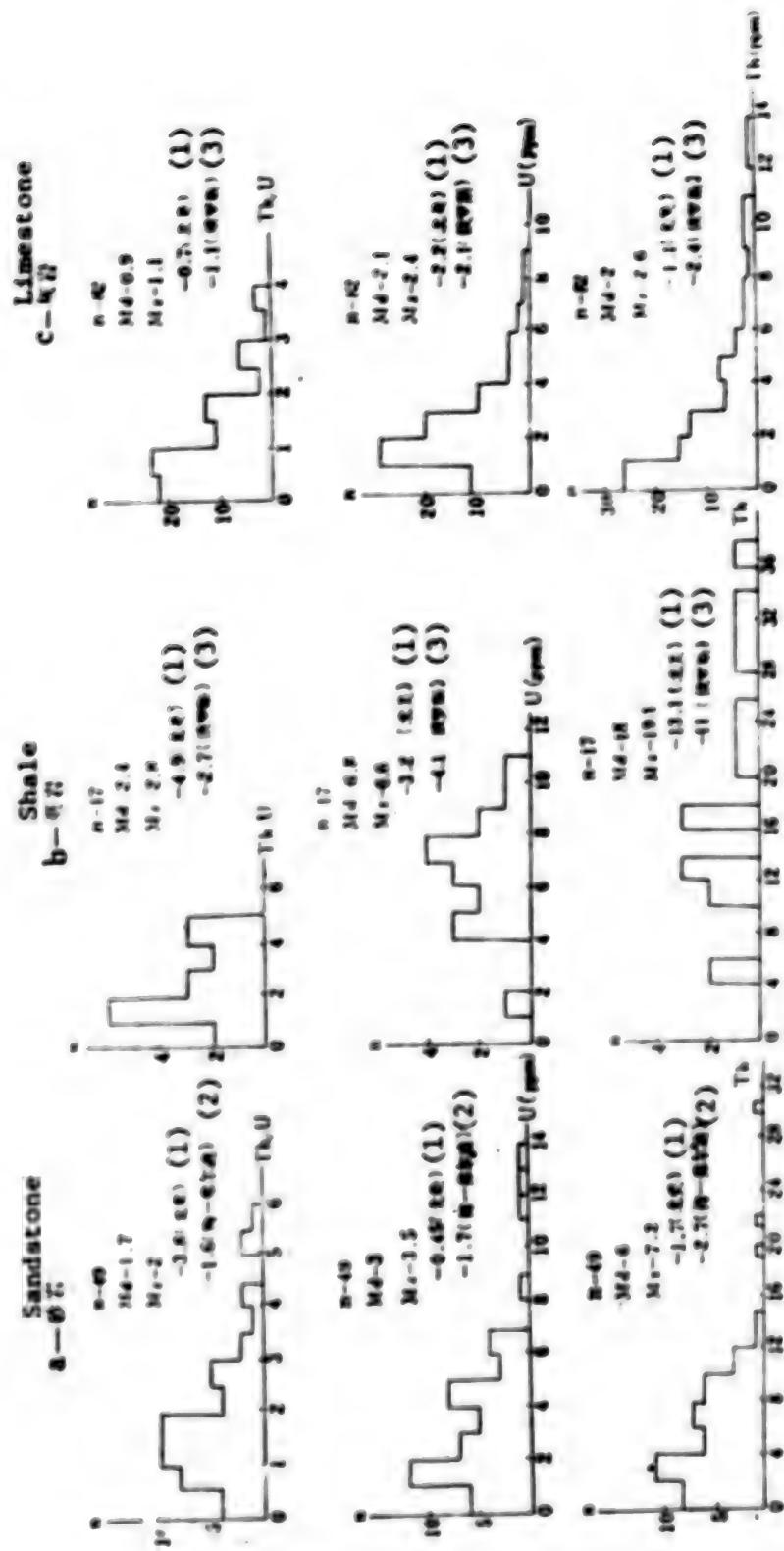


Figure 2. Histograms of concentrations of uranium and thorium in the sedimentary rocks of southern Xizang and Th/U ratios

Key:

1. North America
2. M-Verdi (7)
3. Russia

The limestone is mainly granular limestone (biotritus rock and granular oolitic limestone) and argillaceous and silty arenaceous limestone. The granular limestone is pure in texture and rich in uranium but poor in thorium. The average value of uranium is 2.1 ppm, that of thorium is 1.4 ppm, the Th/U value is 0.7. The insoluble constituency of argillaceous-arenaceous limestone is high. The average content of uranium is 3.3 ppm, the average content of thorium is 5.6 ppm, the Th/U value is 1.7. In the histogram (Figure 2c), the distribution curves of uranium and thorium possess a clear positive bias showing that the contents of uranium and thorium are low.

The distribution of uranium and thorium in sedimentary rock is related to the stable detrital minerals in the rock and the selective adsorption of thorium by clay minerals. In sandstone and shale, the contents of uranium and thorium increase as  $Al_2O_3/SiO_2$  increase. But the increase in the content of uranium is slower (Figure 3). Thorium and clay minerals are closely related. This is the result of adsorption of thorium by clay minerals. Clay minerals generally show a negative charge and possess a stronger cation exchange capability. Thorium exists as cations and therefore the ability to adsorb thorium is strong. Uranium, in exogenic conditions, frequently exists as complex anions of  $[UO_2(CO_3)_3]^{4-}$  and negatively charged  $[UO_2(OH)_2]_n$  sol. Therefore, adsorption of uranium by clay minerals is weak. The increase in uranium is slow while the increase in thorium is faster. Research by Murry (?) and Adams (?) et al. [4] proved that uranium mainly exists in quartz crystals and is closely related to organic matter. In limestone, the contents of uranium and thorium and the Th/U value are related to  $Al_2O_3 + SiO_2$ . The content of thorium and the Th/U ratio are positively proportional to the content of  $Al_2O_3 + SiO_2$  while its relationship to uranium is not obvious, approaching a constant (Figure 3). This shows that thorium mainly exists in the insoluble constituency of limestone and is the result of adsorption by clay minerals. Uranium is mainly related to calcium carbonate, the radii of the  $U^{4+}$  and  $Ca^{2+}$  ions are about the same, that of  $U^{4+}$  is 1.05 Å, and that of  $Ca^{2+}$  is 1.06 Å. Rogers (?) et al. [4] believes that uranium replaces calcium in the calcite crystal lattice. Therefore, pure limestone is rich in uranium but poor in thorium, and the Th/U is less than 1. The content of thorium in impure limestone increases and the Th/U value is generally greater than 1.

A comparison (Figure 2) [4] of the contents of uranium and thorium in the sedimentary rocks of the North American and the Russian Platforms and the contents of uranium and thorium in the sedimentary rocks of the southern sub-belt of the Tethys Himalayan Belt in southern Xizang shows that the contents of uranium and thorium in the sedimentary rocks in southern Xizang are higher, especially in sandstone and shale. This may be related to the fact that the materials originate from the metamorphic rocks of the pre-Sinian system which has a higher content of uranium and thorium. The Th/U is between those of the sedimentary rocks of the North American and the Russian Platforms and is closer to that of the Russian Platform. This shows that the diagenetic environment of the two are similar, both formed under relatively stable environments.

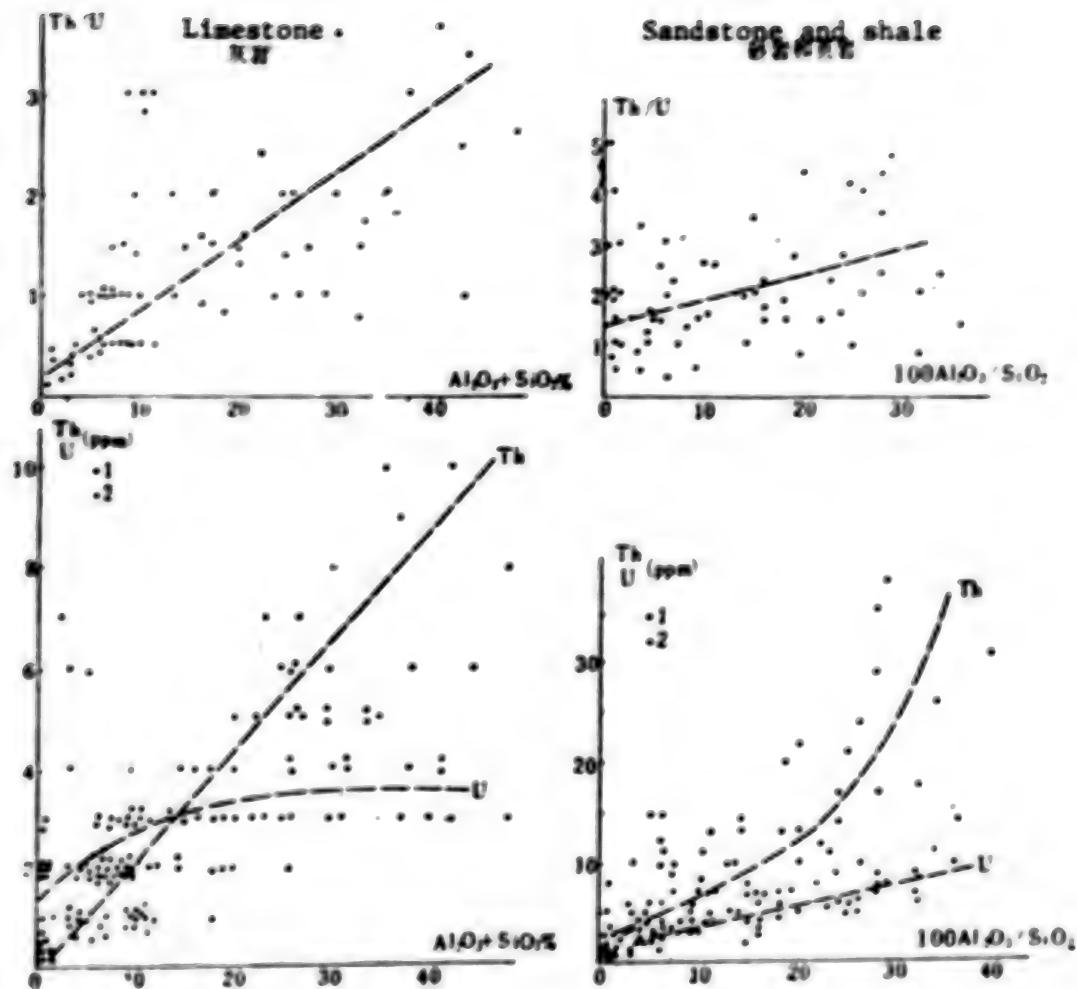


Figure 3. Relationship among the contents of uranium and thorium, Th/U and  $\text{Al}_2\text{O}_3$ ,  $\text{SiO}_2$  in the sedimentary rocks of southern Xizang  
 1 -- Th; 2 -- U

## II. The Evolution of Uranium and Thorium in the Sedimentary Strata in Southern Xizang

In the sedimentary strata in southern Xizang, the degree of development of different sedimentary rock types from the old to the new is different, and the variations in the contents of uranium and thorium and of Th/U are different. The variations in the contents of uranium and thorium and of Th/U are shown in Figure 4.

The thickness of the cross section of sandstone, shale and limestone in the sedimentary strata in southern Xizang constitutes almost 1/3 each. But the degree of development of different periods is different. Figure 4 shows that the development of the sedimentary rock types shows a cyclic nature forming a large cycle of transgression, regression, transgression from the old to the new, and two to three small cycles appear in the last

transgression. This correspondingly shows a cyclic material variation of argillaceous and arenaceous sedimentation--calcareous sedimentation--argillaceous and arenaceous sedimentation--and gradual calcareous sedimentation again.

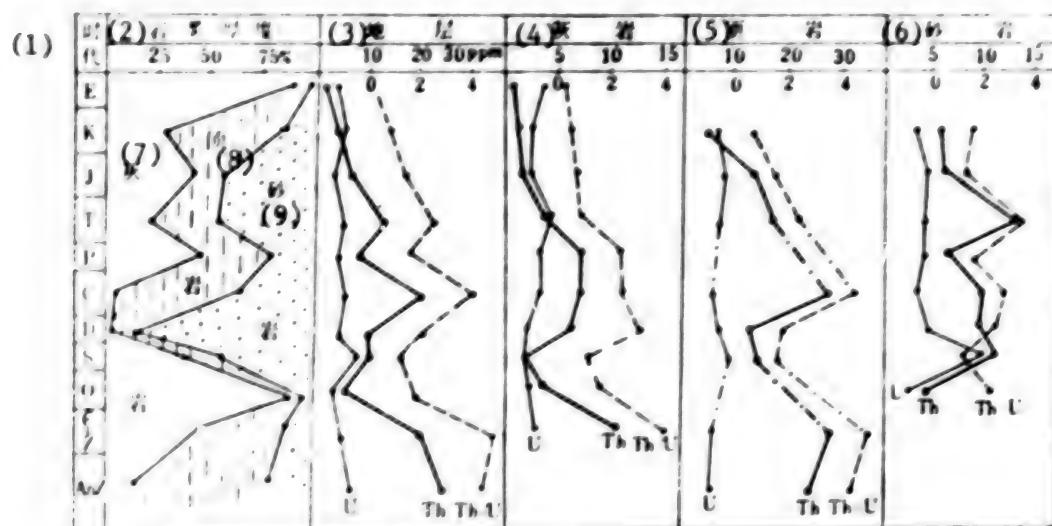


Figure 4. Evolution of the thickness of sedimentary rocks in southern Xizang, the contents of uranium and thorium, and the value of the Th/U ratio

Key :

1. Period	6. Sandstone
2. Thickness of rock type	7. Limestone
3. Geostrata	8. Shale
4. Limestone	9. Sandstone
5. Shale	

As the geological periods evolved, the contents of uranium and thorium and their ratios in the sedimentary strata in southern Xizang and the various sedimentary rock types also changed. Figure 4 indicates that except limestone which shows a slight increase in the uranium content and a higher uranium content in the sandstone of the Silurian period, the variation in the uranium content in sandstone, shale and geostrata is not great while the variation in the content of thorium and the Th/U ratio is greater. The trend is that the thorium content and the Th/U ratio gradually drop. The geostrata and rocks of the old periods are relatively rich in thorium and poor in uranium and the value of the Th/U ratio is large. The geostrata and the rocks of the new periods are relatively rich in uranium and poor in thorium and the value of the Th/U ratio is small. This is related to the relative stability of the diagenetic environment of this region, a high degree of maturation of rocks, and better differentiation of rock types and separation of uranium and thorium.

The variation in the content of thorium and Th/U also shows a cyclic nature from the old to the new. The content of thorium and Th/U undergo a change of high--low--high--gradual lowering. This is consistent with the cyclic nature of the variation in the material composition, transgression and regression. This is also reflected in the small cycles. This variation is related to the cyclic variation in the material composition of the rocks. Clay minerals mainly adsorb thorium while uranium is closely related to calcium carbonate and organic matter. When the contents of uranium and thorium are low, the value of the ratio is small, the sediments are mainly calcareous sediments. Conversely, when the contents of uranium and thorium are high, the ratio is large. The sediments are mainly argillaceous and arenaceous sediments. Even in the same rock type, differences in the contents of uranium and thorium and the ratio can also reflect the variation in material composition.

Under exogenic conditions, the difference in the geochemical properties of uranium and thorium and the influence of diagenetic and mineralization environments and material composition of rock minerals cause uranium and thorium to separate. Therefore the contents of uranium and thorium and the value of the Th/U ratio can serve as indications of diagenetic and mineralization environments and reflect the material composition of rock minerals. Also, they provide useful data on the evolution of the sedimentary strata and the earth's crust in southern Xizang. In addition, the study of the contents of uranium and thorium and their distribution in metamorphic rock is not only useful for restoring the primary rock and marking out the metamorphic facies, it also provides useful information for studying the migration and redistribution of uranium and thorium under metamorphism.

We thank Comrades Wang Daode [3769 6670 1795], Li Chaoyang [2621 2600 7122] and Zhang Yuquan [1728 3768 3123] for their help and guidance in this work.

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MINERAL RESOURCES

BRIEFS

JIANGSU MINERAL DEPOSIT--A geological team in Jiangsu was commended by the Provincial Geological Prospecting Company 30 March for the discovery, near Nanjing, of the largest diversified mineral deposit in East China and the lower reaches of the Changjiang. The deposit is located in the Qixia mountain to the northeast of Nanjing City. It measures 15 km long from east to west and covers some 60 square km. There are very large deposits of lead, zinc and iron pyrites and fairly large amounts of silver, gold and other valuable metals in the area. It also contains some chromium, potassium, etc. It is estimated that a complete investment return can be realized within 2 years of extractions. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 30 Mar 83 OW]

CSO: 4006/404

## INDUSTRY

### CIRCULAR URGES DEVELOPING INDUSTRIAL PRODUCTION

OW241137 Fuzhou FUJIAN RIBAO in Chinese 13 Mar 83 p 1

[Text] In a recent joint circular the provincial CPC committee and the provincial government ask the party committees and governments at all levels to quickly develop industrial production by strengthening leadership and taking effective measures.

The circular states: Industrial production for January and February in our province was far from ideal. The total value of industrial production was only 1.9 percent higher than [that] of last year [during] the corresponding period, a growth rate far below the national average of 7.2 percent. Profits earned by state-operated industrial enterprises even declined, compared with the corresponding period of last year. This state of affairs is worthy of great attention from the party committees, governments and departments concerned at all levels. They should be fully aware of the vital importance of developing industrial production to the fulfillment of our province's 1983 economic plan and as a guarantee for our financial revenue and market supplies. They are requested to conscientiously strengthen their leadership over industrial production, immediately conduct an investigation into the state of this work in their respective localities and departments, analyze the reasons for problems and suggest solutions so as to change the present unsatisfactory situation as quickly as possible. Every effort should be made to fulfill 1/4 of the annual plan in the first quarter and 1/2 of the plan in the first half of the year.

The circular stresses the need to go all out to intensify management and sales work. In view of the decline in light industry production in January and February, enterprises in this sector of industry should make positive efforts to open new avenues to develop production. They should do their best to increase the output of those products for which raw materials are available and good market exists, and they should not be limited by the original production plan in doing so. At the same time, they should try to develop new products and new product designs to meet the market demands. Heavy industrial enterprises should continue to boost production and maintain the trend of increasing output. Commercial departments should actively support industrial production and closely coordinate their sales work with production. Since some raw materials are now in rather short supply, planning commissions and economic commissions as well as other departments concerned, including supply, commercial and grain departments, supply and marketing cooperatives and foreign trade departments,

should make proper arrangements for the supply of these materials to meet the needs of production. In addition, it is necessary to give play to the role of the market in regulating production and to carry out the coordination and exchange of supplies as needed. Products not included in the unified price plan and raw materials which were purchased at negotiated prices can be sold at prices commensurate with their original purchase prices in the interest of making the economic activities more flexible.

The circular calls on industrial enterprises to implement the various forms of management responsibility system centered on the contract system and to do this step by step under guidance in an active and steady way. They should resolutely eliminate the practice of "sharing food from the same pot," bring into full play the "vitality" of both the enterprises and their staffs and workers, go all out for better economic results and strive to ensure the continuous development of industry. Economic commissions and financial, tax and labor departments at all levels should regard industrial reform as their common task and conscientiously assume responsibility for helping various enterprises to make a success of reform work.

The circular adds: Now the work of restructuring provincial and prefectoral organizations has been completed. Party committees and governments at various levels should concentrate on production. They should assign some leading comrades to assume responsibility for production and should send cadres deep into the grassroots level to help solve problems for various enterprises.

CSO: 4006/426

## INDUSTRY

### LIGHT INDUSTRY INSTITUTES CONTRACT SYSTEM

HK240207 Haikou Hainan Island Service in Mandarin 0330 GMT 23 Mar 83

[Text] The Hainan Light Industry Department put forward 10 points for instituting the economic responsibility system, demanding that all light industry enterprises institute this system in an overall manner before April. These 10 points are:

1. Existing leading bodies, bodies democratically elected by staff members and workers, collectives of staff members and workers, representatives of workers and cadres or individuals with partners selected by them can contract responsibilities of an enterprise.
2. Piece rate wage systems or floating wage systems should be adopted after instituting the contract system in an enterprise. There should be no fixed personal income or high limits for personal wages.
3. Persons contracting responsibilities have authority commensurate with their responsibilities over the institutional structure of the enterprise, decisions on operation and distribution system. They must ensure fulfillment of state mandatory plans.
4. After instituting the contract system, the number of staff members and workers and production quotas should be fixed. Excessive staff members and workers can be listed as non-designated personnel. Persons contracting responsibilities are responsible for organizing them and assigning them jobs through developing production in various aspects. Methods for assigning them jobs should be separately established.
5. Jobs must be arranged for existing cadres who do not participate in contracting responsibilities and who have not been transferred to other posts by leadership at a higher level. Wages and welfare benefits should be changed according to new stipulations formulated after instituting the contract system.
6. No charges are required to be delivered to the state for using fixed assets of enterprise which are newly added after instituting the contract system.
7. A responsibility contract usually lasts 3 years. This is conducive to developing the enterprise.

8. After instituting the contract system, the nature of the enterprise remains unchanged. The original fixed assets remain in the hands of the state. Persons contracting responsibilities should, according to state regulations, set aside depreciation charge and overhauling funds for fixed assets and deliver to the state charges for using fixed assets and circulating funds.

9. Appropriate funds for developing production should be set aside from profits retained for the enterprise, and sharing everything and eating up everything must be opposed. This is conducive to updating and transforming equipment and to developing production of the enterprise.

10. Awards and punishment should be clearly stated in contracts.

CSO: 4006/426

INDUSTRY

BRIEFS

HEAVY-DUTY TRUCK CORPORATION--Jinan, 29 Mar (XINHUA)--China's major heavy-duty truck and auto engine producers are now in a national heavy-duty truck corporation here. This is a major step toward serialized production of heavy-duty trucks, a deputy manager of the corporation said here today. Heavy-duty truck production was listed as one of the 30 state priority projects for technical transformation last year. The corporation has eight plants and one research institute in various provinces. It will import technology and organize the affiliated factories to turn out new products, renovate old plants and step by step serialize production of heavy-duty trucks. These include 8, 16 and 40 ton models. The corporation also plans to produce superheavy-duty trucks. The corporation is negotiating technological imports with foreign firms. It is one of the special companies under the China automotive industry corporation. Under the corporation are the "Dongfeng," "Liberation" and "Nanjing" truck companies which specialize in light and medium-sized motor vehicles. [Text] [Beijing XINHUA in English 0818 GMT 29 Mar 83 OW]

CSO: 4020/67

## CONSTRUCTION

### STATE TO SUPPORT HAINAN CONSTRUCTION

HK220525 Beijing ZHONGGUO XINWEN SHE in Chinese 0810 GMT 21 Mar 83

[ "State to Support Hainan Construction"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 21 Mar (ZHONGGUO XINWEN SHE)--Reporter Fang Yuansheng [2455 6678 3932] reports: In an interview with this reporter, Lei Yu [7191 1342], director of the administrative office of the Hainan administrative area, Guangdong, said that the state would support the construction of Hainan Island in the following manner:

--With regard to energy, this year the Ministry of Coal and the Ministry of Water Conservancy and Power will jointly invest in the construction of the open-cut mine, which yields 500,000 tons of mixed coal a year, and the installation of a 50,000-kilowatt power station in the Changpo mining area in Danxian County. The Ministry of Petroleum Industry has decided that the South China Sea petroleum prospecting headquarters will restore the several small oil wells located on land in the north of Hainan Island for use in production on the island. These wells are expected to yield approximately 20,000 tons of crude oil a year. In this way, Hainan will have its own petroleum industry.

--With regard to railroads, the Ministry of Railways has decided to invest in the construction of a 50-kilometer railroad running from Lingtou to Basuo, to be completed by 1985, so as to link the network of goods transportation in Basuo Harbor with that in Sanya Harbor.

--With regard to harbors, the Ministry of Communications has decided to expand and rebuild Haikou and Basuo Harbors and at the end of 1985, to build a deep-water harbor at Yangpu near Baimajing in Danxian County. It has been learned that with deep water and a long coast line, Yangpu provides a good shelter from the wind and has the conditions for building 10 to 20 berths for 10,000-ton vessels.

--With regard to aviation, the civil aviation department is planning to open chartered plane service between Haikou and Hong Kong as quickly as possible. Before that, the problem of Hong Kong--Haikou-Sanya Aviation Transport has to be solved. It has been learned that Boeing 737 passenger planes will fly between Hong Kong and Haikou beginning in early April.

--With regard to sea transportation, Sanya Harbor will be opened to the outside world and direct passenger and freight transport services between Haikou and Hong Kong will be introduced.

--With regard to communication, the postal and telecommunications department is intensively building a microwave communication line.

Lei Yu said: The central and Guangdong provincial authorities will give greater financial support for the construction of Hainan Island by increasing the funds to 30 million yuan a year on the present basis. The People's Bank of China will give low interest loans within the limit of 50 million yuan a year to Hainan. The Bank of China will also give Hainan low interest loans in foreign exchange not exceeding \$50 million a year.

Lei Yu said that the central and Guangdong provincial departments concerned would give special aid in planning for the construction of Hainan and would also give essential support in funds, technology and manpower.

Lei Yu made the above remarks at the request of this reporter when he returned to Guangzhou after being called to Beijing to join the departments concerned in studying the problem of quickening the construction of Hainan.

CSO: 4006/426

CONSTRUCTION

'JINGJI RIBAO' ON PROBLEMS IN CAPITAL CONSTRUCTION

HK281514 Beijing JINGJI RIBAO in Chinese 22 Mar 83 p 1

[Editorial: "Grasp Solving Problems Related to 'Half-Finished' Projects"]

[Text] Unfinished projects in the capital construction of our country are now tying up large sums of state funds. This is the main reason our investment always has unsatisfactory results. In the course of social production, it is imperative to hold back on a certain volume of "in-process" products in order to maintain a good balance in production. Usually, the duration of capital construction projects is a bit longer and unfinished projects (they are also a kind of "in-process" product) are higher in number in building departments than in other departments. This is understandable. However, funds being used for such unfinished projects are now increasing considerably. This inevitably keeps materials laying in waste and lets state funds lie idle. During the first "5-Year Plan" the proportion between newly fixed assets and funds for unfinished projects was 1:0.64, and now it is 1:2, a rise of more than 100 percent. If these "half-finished" projects can be speedily completed and put into operation, they will provide 4-5 million jobs and increase national income by more than 10 billion yuan and state revenue by more than 3 billion yuan.

Having numerous unfinished projects is a long-standing and complex problem.

Owing to the influence of "leftist" ideology in the past, the scale of capital construction has long been too large. As a result, financial and material resources often fall short, the construction periods of projects are prolonged and unfinished projects are increasing in number. Ideologically, some of our comrades pay attention only to a financial balance in every fiscal year but neglect long-term plans. When the situation improves, they immediately increase funds for investment and expand the scale of capital construction. Yet when the situation changes, they at once cut down yearly funds for investment. Consequently, projects which are still under construction cannot be completed as scheduled or are compelled to stop. It is well known that a long completion period is one of the features of capital construction. It usually takes 3-5 years or even longer for a project. In order to coordinate the scale of capital construction with national strength, we must take into account both the past and what may possible arise. We must map out long-term plans and invest funds on an average yearly basis according to the conditions and features of capital construction projects.

The absence of required procedure in planning capital construction projects is another reason for the emergence of numerous "half-finished" projects. For a long time, our plans for capital construction projects have been worked out by only a few people according to their experience and anticipation. Capital construction is a very complicated process of production, involving a number of factors which link with and condition each other internally and externally. In the long process of construction, these factors may change unexpectedly. If any point of the plans is not carefully thought out or handled, it will affect the whole situation and bring about endless trouble. Therefore, plans for any capital construction projects must be worked out scientifically, and must be repeatedly studied and appraised by all departments concerned. Only when plans are drawn up according to actual conditions and procedures observed, will capital construction projects be completed as scheduled and stagnation or [word indistinct] of state funds be avoided.

The reason there are so many projects under construction is also related to the lack of a necessary economic responsibility system in the field of capital construction. For example, most of the investment is allocated gratuitously. This will encourage some units to compete for more projects, investment and material. For a long time, survey and design units have been eating from the same "big pot" without paying attention to economic accounting or instituting the economic responsibility system that links with their workload. The contract system between construction enterprises and production units has only recently been restored and many problems remain unsolved. For example, shortcomings exist in settling accounts for the carrying out of construction projects. Consequently, people are glad to undertake new projects and are not willing to undertake the completion of projects and so on. Therefore, reforming various kinds of "big pots" and instituting the economic responsibility system which is in conformity with characteristics of various aspects of capital construction projects is one of the important measures for changing the situation of having too many projects under construction.

At present, in order to reduce the number of projects under construction, we must grasp firmly the work of "fixing five things" for construction projects, that is, fixing the scale for construction, the total investment, time limits for completion, results of investment and conditions for external cooperation. On the basis of "fixing five things," planning departments and departments in charge of the projects should allocate sufficient investment and material according to the progress in construction so that the construction projects can be completed and put into operation as scheduled. Regarding some projects which have actually been completed but have not been accepted because of problems in quality of construction, settling of accounts and so on or which have not been able to be completed and put into operation simply because of some winding-up work, construction administration departments and the construction bank at various levels must organize departments concerned and adopt necessary measures to solve these problems as quickly as possible so that these construction projects which are actually not being worked on can be completed and put into operation earlier and yield results of investment in good time.

CSO: 4006/426

## CONSTRUCTION

### ENGINEER ON BENEFITS OF CHANGJIANG DIVERSION

HK250301 Beijing CHINA DAILY in English 25 Mar 83 p 1

[By staff reporter GE DEWEI]

[Text] The diversion of Yangtze River water to the north was not approved as a last resort solution to the regional water shortage problem, but as a capital construction project of lasting importance, Yao Bangyi, chief engineer of the Programmed Designing Institute of Water Resources and Electric Power, who is in charge of the project, told CHINA DAILY.

Yao said the idea was first proposed by Comrade Mao Zedong as early as 1952.

The Yangtze, its tributaries and the rivers south of it carry 82 per cent of the country's annual runoff, although their drainage area covers only 38 per cent of the cultivated land. On the other hand, the Yellow, Haihe and Huaihe Rivers together carry no more than 6.6 per cent of the runoff, but the land they enclose in their valleys is 40 per cent of the total, Yao pointed out.

Not only did the drought of recent years cause a quickening of action, but China's successful economic readjustment helped provide 1.134 billion yuan for the first stage. The final design was approved by the State Council on 25 February.

The route is 1,150 kilometres long--660 kilometres south of the Yellow River and 490 north of it. The chief disadvantage is the high rise from the Yangtze northward to the Yellow River--about 40 metres.

However, Yao said, compensating for this is the fact that some six or seven pumping stations have already been built along the route by local governments to bring Yangtze water north. There are also hundreds of small pumps along the way.

Abundance of coal along the route will supply adequate energy for pumping, Yao said. He also noted that the route includes rivers and canals that have long been maintained for navigation by local authorities.

In short, he said, much of the project involves only linking up already existing facilities.

Yao said that work on the first stage, which runs north to the Yellow River, will begin as soon as the potential flood period ends around summer. It will benefit 45 counties and cities in Jiangsu, Anhui and Shandong Provinces with a total population of 23 million, and 2.06 million hectares of arable land.

Discussing economic results, he estimated that an adequate water supply will allow mines and industry to increase output by an average of 145 million yuan a year; irrigation will increase agricultural output by 137 million; and improved navigation will be worth 14.57 million.

CSO: 4020/67

## CONSTRUCTION

### CIRCULAR ON COMPLETION OF PROJECTS

SK301008 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Mar 83

[Text] Recently, the provincial construction and planning commissions jointly issued a circular calling on all localities to concentrate their main efforts on ensuring the construction of 68 key projects and on creating a new situation of capital construction to ensure completion in a short space of time, good quality construction, reduction of investments and better efficiency in capital construction.

The strategic priority in key projects is to carry out technical transformation in energy resources, transport, culture and education and scientific research.

It is urged that some 37 projects and single-item projects be completed by the end of this year. These include 11 big and medium-sized projects, such as the (Beida) mine of the Longko mining area, with a coal mining capacity of 900,000 tons; the (Lianzhuang) mine in Xinwen, with a coal mining capacity of 750,000 tons; the (Liangzhuang) cement plant, with an annual raw coal consumption of 750,000 tons; the No 5 unit of the Shiliquan power plant, with an installed capacity of 125,000 kw; the No 1 unit scheduled at the second phase of the (Huangtai) power plant project; the project for exploiting 800,000 tons of crude oil in the Shengli oilfield; the project for double-tracking 90 km of the Jiao-ji railway; the (Shihong) brewery in Yantai; and 26 small projects in the light and textile industries, and in building materials, culture and education and scientific research.

The other 31 key projects include 12 big and medium-sized projects and 19 small projects. The big and medium-sized projects are the Yanzhou mine area, the Zouxian power plant, the Longko power plant, the (Shiheng) power plant, the Yan-shi railway, the (Xin-he) railway, and Qingdao and Shijiu ports.

The circular urges all localities and departments to attach importance to firmly fostering the idea of taking the whole country into account and to placing on the agenda ensuring the completion of key projects.

Efforts should be made to organize capable gorups to take charge of the construction of these projects. Efforts also should be made to provide enough investments, materials and facilities to ensure the completion of key projects, to better design the projects and to make better arrangements for the staff and workers.

Capital construction departments should enhance investigations. Key leading cadres should go often to construction sites to enthusiastically solve problems in construction. Construction sites of key projects should attend to the work of land requisition, dismantlement and moving, making proper arrangements for the livelihood of the ranks of staff members and workers and the supply of building materials to ensure smooth construction of the projects.

CSO: 4006/426

CONSTRUCTION

BRIEFS

TIANJIN WATER-DIVERSION NETWORK--Tianjin, 24 Mar (XINHUA)--The mammoth network to lead water from the Luanhe to Tianjin has entered the final stage of construction, with 64 major tunnels, reservoirs and other projects completed. Authorities said people's liberation armymen and peasant builders are racing against time to build the other 49 projects to complete the entire network by 1 October, a year ahead of schedule. One of the key projects now short of completion is a 9.7-kilometer tunnel--the longest in China--through a mountain, with a section of only 100 meters remaining to be cut through. The network is designed to bring an annual average of 1 billion tons of water to Tianjin, a leading north China industrial and port city, which has suffered an acute water shortage for many years. [Text] [Beijing XINHUA in English 1242 GMT 24 Mar 83 OW]

CSO: 4020/67

DOMESTIC TRADE

COMMENTATOR ON LINKING PRICES, QUALITY OF GOODS

OW010149 Beijing XINHUA Domestic Service in Chinese 0732 GMT 30 Mar 83

[**"Article by XINHUA Commentator: 'Fix Prices According to Quality, Reward for Quality Products and Penalty for Shoddy Ones'" --XINHUA headline**]

[Text] Beijing, 30 Mar (XINHUA)--Fixing prices according to quality, having products graded and priced accordingly, higher prices for quality products and lower prices for shoddy ones--this is an important principle in our price policy. The delegates attending the national industrial and transport work conference held that fixing prices of manufactured goods according to quality, rewarding quality products and penalizing shoddy ones is of great significance for promoting industrial production and improving product quality.

For a long time the prices of our manufactured goods have failed to properly reflect differences in quality. This state of affairs does not encourage the advanced or spur the backward in product quality, and dampens the producers' enthusiasm to improve product quality. As a result, production of quality goods cannot meet demands, but shoddy goods are being produced and marketed as before. The consumers have many complaints. Now is time earnestly to take measures to change this unreasonable situation.

To fix prices according to quality, rewarding quality products and penalizing shoddy ones, our basic starting point should be the promotion of technical progress and laying stress on social and economic results. In determining price differences between quality and shoddy products consideration should be given to the interests of both producers and users. Price differences between raw materials based on quality should help encourage enterprises to increase production and practice economy, use quality materials for quality products and make the best use of everything. Price differences based on quality for products of the processing industries should on the one hand spur the enterprises to develop new products, maintain and expand production of high-quality brand-name products, restrict production of out-dated products and eliminate old products no longer meeting social needs, and on the other hand, should be in the interest of the consumers, making them feel that it is economically advantageous or without disadvantage to buy and use quality products.

People ask: In setting higher prices for quality products, would not some production enterprises find an excuse to hike prices and thus affect price stability? In fact, the two are not necessarily linked to one another. We should see that a decline in product quality means an increase in price and also an invisible waste of social wealth, and that improvement in product quality, genuine goods and fair prices actually will stabilize prices and invisibly save social wealth. Setting higher prices for quality products is aimed precisely at encouraging producers to improve product quality and avoid turning out shoddy products. At the same time, rewarding quality products and penalizing shoddy ones are two aspects of the same thing. While some high-quality but excessively low-priced products will have their prices increased somewhat, prices of relatively low-quality products will be reduced. Thus, with both increases and decreases, the overall price level will remain stable. As to references to cases in which inferior goods are sold as quality ones at better prices in the name of setting higher prices for quality products, they certainly do occur. However, by establishing and improving a strict inspection and control system and adopting strong economic and administrative measures, they can be discovered and corrected and will not affect the overall situation.

Rewarding quality manufactured goods and penalizing shoddy ones in terms of prices involves reform of the price structure and of the price control system, and it is necessary to gain experience through experiments and to carry them out in a well-guided and systematic way. Comrades in industrial departments including the large numbers of enterprises must recognize this inevitable trend and face up to the very high demands it has placed on them in production and management. If we say that in the past we could manage to get along without paying attention to quality, then in future, with the implementation of the new rules rewarding quality products and penalizing shoddy ones, we must change our course and devote much time and energy to improving product quality. Otherwise, not only we ourselves will fall behind, but our enterprises may be eliminated together with the shoddy products they produce. It can be said that on this question, those who awaken sooner will gain the initiative sooner, those who awaken later will gain the initiative later, and those who do not awaken will land themselves in a passive position.

CSO: 4006/404

DOMESTIC TRADE

BRIEFS

GUIZHOU COMMERCE CONFERENCE--The Guizhou provincial conference of directors of all prefectural, autonomous prefectural and city commercial bureaus was recently held in Guiyang. The conference pointed out that the current tasks of commercial reform in the province are: 1) it is necessary to implement the system of contracted responsibilities for business in an all-round way; 2) it is essential to implement the wholesale system; and 3) it is imperative to straighten out enterprises with stress put on reform. [HK301448 Guiyang Guizhou Provincial Service in Mandarin 1100 GMT 20 Mar 83 HK]

CLOTH COUPON VALIDITY--Beijing, 22 Mar (XINHUA)--The Ministry of Commerce on 18 March issued a circular to the effect that all cloth coupons (with the exception of temporary childbirth or funeral subsidy cloth coupons) issued by various provinces, municipalities and autonomous regions are now valid throughout the country. The change is made possible by the increasing outputs of textile goods in China in recent years. [Beijing XINHUA Domestic Service in Chinese 1134 GMT 22 Mar 83 OW]

ZHEJIANG COMMODITY SALES PROMOTION--The No. 1 bureau of commerce in Zhejiang's Hangzhou City held commodities exhibitions in March this year. Representatives of more than 2,400 units from all over the country visited the exhibitions. They saw samples and signed agreements to procure various consumer goods with a total value of 1.24 million yuan. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 23 Mar 83 OW]

CSO: 4006/404

FOREIGN TRADE

CHINA DAILY CARRIES INCOME TAX REGULATIONS

HK260356 Beijing CHINA DAILY in English 26 Mar 83 p 2

[**"Provisions of New Income Tax Regulations"--"Unofficial Translation from the Ministry of Finance"**]

[Text] The interim provisions of the Ministry of Finance of the People's Republic of China regarding the reduction and exemption of income tax relating to interest earned by foreign businesses in China. [published in boldface]

In order to create advantageous circumstances for the greatest possible increase in the use of foreign capital to carry on economic construction, the following stipulations are hereby provisionally made on questions relating to preferential treatment of reducing and exempting income tax on the interest income obtained by foreign companies, enterprises and other economic organizations in China:

I. Income tax on interest obtained from loans, advances and deferred payments provided under credit contracts or trade contracts signed between 1983 and 1985 by foreign companies, enterprises and other economic organizations with China's companies or enterprises may, during the effective period of the contract, be paid at reduced tax rate of 10 percent.

II. In addition to those items for which tax exemption is already stipulated under the foreign enterprise income tax law and implementing regulations, the following items of interest income may also provisionally be exempted from income tax:

(1) Interest income from loans to China's state banks by foreign banks at the interest rate of international interbank loans. Matters may be handled according to the stipulations of the preceding clause in the case of trust and investment companies approved by the State Council or the State Council's units authorized to engage in foreign exchange business.

(2) Interest income from loans to the China National Offshore Corporation by foreign banks at an interest rate no higher than the interest rate of interbank loans.

(3) In the case of seller's credits provided by the other side's state bank for the import of technology, equipment and commodities by China's companies, enterprises or institutions, interest on deferred payments paid by the Chinese side to be received in turn by the seller at an interest rate no higher than that on the Chinese side's buyer credit.

(4) Interest on deposits of foreign banks and individuals in China's state banks when the interest rate on such deposits is lower than the interest rate on deposits in the country of the depositing bank or depositor.

(5) Cases where equipment and technology are provided to China's companies or enterprises and the Chinese side uses such supply of goods methods as product resale or the handing over of products to repay the principal and interest of the price, or uses fees paid for processing or assembly to offset the principal and interest of the price.

#### Vouchers

III. Income tax on leasing fees, after deducting the equipment price, obtained by foreign leasing companies from the provision of articles of equipment to China's companies or enterprises by the leasing trade method between 1983 and 1985 may, during the effective period of the contract signed, be paid at a reduced tax rate of 10 percent.

For interest included in leasing fees, if the loan agreement or contract and interest payment documents and vouchers sufficient to prove that the interest rate conforms to the stipulations of Article II, Paragraph (3) of this provision can be provided, it may be permitted to pay income tax of 10 percent on the amount remaining after deduction of the interest.

Leasing fees obtained through such supply of goods methods as product resale or the handing over of products may be exempted from income payment.

IV. With regard to interest obtained from loans provided under contracts signed directly with China's companies or enterprises by the long-term representative offices of foreign banks which, upon receiving approval, have set up long-term representative offices in China, it is permitted for related costs and expenses to be deducted therefrom. To facilitate calculation, 15 percent of the amount of interest income may be taken provisionally as the amount of taxable income and income tax paid in accordance with the tax rates stipulated in Articles 3 and 4 of the foreign enterprise income tax law.

#### Enforced

V. In any cases where it is required according to this provision to grant exemption from income tax for interest obtained from China on deposits, loans, advances and deferred payments and on the purchase of bonds, the Chinese company or enterprise taking in the deposit, accepting the loan and advance, taking on the deferred payment or issuing the bond must put forward

the relevant agreement or contract and interest rate information, sending these to the local tax authorities for consideration and confirmation. Without having gone through the consideration and confirmation procedures, on [as published] unit or individual way of its own accord reduce or exempt income tax.

VI. This provision is to be enforced from January 1, 1983. As regards any contracts which were signed and took effect after approval by the departments in charge before the implementation of this provision for which there were already stipulations at that time for the levy of taxation on the interest under the contract, no change is to be made during the effective period of the contract (not including extensions of the contract period).

According to stipulations of Article II of the foreign enterprise income tax law and Article 27 of the implementing regulations of the foreign enterprise income tax law, foreign companies, enterprises and other economic organizations that have not set up establishments in China shall pay a 20 percent income tax (i.e., withheld income tax) on fees obtained for the use of proprietary technology they provide for use in China.

In order better to implement the state's policy on the introduction of technology, to encourage foreign companies, enterprises and other economic organizations to provide new technology, new technological process and advanced scientific and technical achievements to China, preferential treatment of reducing and exempting income tax is to be specially granted to fees for the use of proprietary technology. Following are the detailed stipulations:

I. With regard to fees for the use of the following various items of proprietary technology (including fees for blueprints and documentation, fees for technical services and fees for personnel training related to the right of use of the transferred proprietary technology, the same applying to all below), income tax may be levied at a reduced rate of 10 percent, and income tax may be exempted for those cases among them where the technology is advanced and the terms are preferential.

(1) Fees received for the use of proprietary technology provided in the areas of development of agricultural, forestry, fishery and animal husbandry production, including among these: proprietary technology provided for the improvement of soil or grasslands, for the exploitation of barren hills and for the full use of natural conditions; proprietary technology provided for new varieties of animals and plants and for the production of high effectiveness, low toxicity agricultural pesticides; and proprietary technology provided in such areas as conducting scientific production management in agriculture, forestry, fishery and animal husbandry, maintaining ecological balance, and strengthening the ability to resist natural disasters.

Co-operation

(2) Fees received for the use of proprietary technology provided to the Chinese side in the conducting of scientific research or scientific experiments for China's academies of science, institutes of higher learning and other scientific research units or the conducting of scientific research in co-operation with China's scientific research units.

(3) Fees received for the use of proprietary technology provided for China's key construction projects in exploiting energy and developing communications and transport.

(4) Fees received for the use of proprietary technology provided in the areas of energy conservation and prevention and cure of environmental pollution.

(5) Fees for the following proprietary technology provided for China's development of important technical spheres:

(i) Technology for the production of major, advanced electronic equipment.

(ii) Nuclear technology.

(iii) Technology for the production of large-scale integrated circuits.

(iv) Technology for the production of optical integration, microwave semiconductors, and microwave integrated circuits and technology for the manufacture of microwave electron tubes.

(v) Technology for the manufacture of ultrahigh-speed computers and micro-processing machines.

(vi) Technology for fibre optics communications.

(vii) Technology for long-distance superhigh-pressure direct current electricity transmission.

(viii) Technology for liquefaction, gasification or multiple use of coal.

Levied

II. Withheld income tax is not to be levied on the following various items of income not involving the transfer of the right to the use of proprietary technology. (However, for those who have set up establishments or sites to engage in contracted business and the provision of labour services, income tax shall be calculated and levied on the basis of an enterprise unit set up to engage in profit-making activity):

(1) Service fees received for the provision of consulting services for the reform of present production technology, improvements in operations management

and choice of technology, feasibility analyses of investment projects and choice of design proposals and bid proposals, etc., for China's engineering construction or enterprises.

(2) Technology instruction fees, personnel training fees and fees for books or blueprints and documentation obtained from the presentation of technical knowledge seminars regarding such items of business knowledge as enterprise management and application of production technology for China's educational institutions, scientific research institutes and enterprises and institutions.

(3) Technical assistance fees received for the provision of technical assistance for the existing equipment or products of China's enterprises, according to specially fixed technical targets that are presented by the Chinese side on such areas as function, efficiency, quality and reliability and durability, and for the conducting of new designs, debugging or trial manufacture of component or spare parts that require improvements, to attain technical targets stipulated in contracts.

(4) Technical service fees, design fees and fees for related blueprints and documentation received for technical instruction, ground construction design and technological process design and quality inspection and data analysis, etc., provided for the manufacture, installation of assembly of construction sites and equipment.

#### Opinions

III. With regard to fees for the use of proprietary technology paid for the introduction of technology, in any case where in accordance with the stipulations of Article I of this provision the preferential treatment of tax reduction may be granted, the department in charge of reviewing and approving the project of introduction of technology shall first raise their opinions and send them together with the relevant documents and materials to the local tax authorities for consideration and confirmation. For those cases among them where the advanced technology or preferential terms necessitate the granting of tax exemption, the tax bureau of the province, municipality or autonomous region shall, together with the relevant departments, consider and raise their opinions on the matter and report them to the Ministry of Finance for approval. Without consideration and approval, the units introducing technology may not of their own accord fix tax reductions or tax exemptions. To facilitate tax management, copies of all technology introduction contracts signed with foreign parties shall be sent to the local tax authorities for reference.

IV. This provision is to be enforced from January 1, 1983. In all cases where previous regulations are in conflict with this provision, matters are to be handled according to this provision. As regards any contracts that were signed and took effect after approval before the implementation of this provision that already made provisions for handling tax levy, tax reduction or tax exemption in accordance with the regulations at that time, no change is to be made during the effective period of the contract (not including extensions of the contract period).

FOREIGN TRADE

COORDINATE FUJIAN REGIONS TO BOOST SPECIAL ZONE

HK290104 Beijing CHINA DAILY in English 29 Mar 83 p 4

[Passages within slantlines published in boldface]

[Text] //Economically co-ordinating the regions of Xiamen, Longxi and Jinjiang is vital to the building up of Xiamen special economic zone, says an article in XIAMEN DAILY. Excerpts follow://

Jinjiang and Longxi regions and Xiamen special economic zone in Fujian Province form a large furtile triangle area." Jinjiang and Longxi produce rice, sugar-cane, peanuts, tea, jute and all kinds of vegetables and fruits. They provide the port of Xiamen with commercial grain fisheries and other sideline products and export goods.

The two regions provided 58 percent of the total value of exports from Xiamen in 1979, 59 percent in 1980 and 61 percent in 1981. They also provided 67 percent of the six commodities each valued at more than \$10 million in 1981. Almost all the tea exported from Xiamen was from the two regions.

Jinjiang and Longxi regions play a very important role in the development of Xiamen. With growth in tourism, foreign investment, and population, demands for grain, cash crops, vegetables, fruit, handicrafts and other sideline products are on the increase. Only by properly developing the bases of commodity grain, farm, fishery and other products in these two regions, can the growing needs of the special zone be adequately met.

Special economic zones are our country's economic channels with the outside world. The co-operative economic relationship between Xiamen special economic zone and Jinjiang and Longxi regions will enable Xiamen to make best use of the international market and reduce to a minimum the effects of the world recession.

//Channels//

For instance, when the building of factories with foreign investment is thriving in the special economic zone, some of the work, including processing and assembling, can be done out of the zone; when a world recession

cuts down the number of orders from factories in Xiamen, Jinjiang and Longxi regions can help sell the products in domestic market.

Jinjiang and Longxi can also provide Xiamen with water resources, labour and scientific personnel. By turning some of their scenic spots into tourist attractions, the two regions will help promote the tourism industry in Xiamen. In addition, the prosperity of the triangle area will draw more investment from overseas Chinese many of whom were originally from there.

In order to give the products a competitive edge, foreign investors will bring into the special economic zone advanced technology and management techniques.

The close economic relationship between the two regions and Xiamen means management techniques and modern technology used in the economic zone can be applied to Jinjiang and Longxi. The two regions can also obtain the latest information on the world market in order to make dependable economic forecasts and avoid economic losses.

However, certain economic programmes in the area should be included in the national plan.

Attention should be paid to establishing complementary industries in Xiamen, Jinjiang and Longxi. Take canned food production for example, Xiamen has a highly developed canned food industry with materials supplied by the two regions. If the two regions were to develop their own canned food industry, Xiamen's industry would surely suffer.

The co-operative economic relationship should be based on the common interests of all the regions and not on administrative orders. Strengthening regional co-operation does not mean banning region from developing its own economy.

In fact, rapid economic development in the Jinjiang and Longxi regions will benefit the special economic zone, which in return will contribute to the further development of the two regions, thus promoting the economy of Fujian Province.

CSO: 4020/64

FOREIGN TRADE

BRIEFS

LIAONING TECHNOLOGICAL IMPORTS--Shenyang, 2 Mar (XINHUA)--Dandong City in coastal Liaoning Province plans to expand the scale of technological imports, beginning this year, in order to retool old enterprises. The city recently received approval to become an export production center of the province. Sun Keqin, chairman of the city's import and export administrative committee, told XINHUA that starting this year, the city expects to use 20 million U.S. dollars to revamp an average of 20 existing enterprises annually. The technical transformation program will extend to 1990, involving 160 enterprises. In 1983, the city plans to use 20.34 million U.S. dollars to retool 28 enterprises. This figure is 5 times that of 1982 and equivalent to the 4-year total between 1979 and 1982, Sun Keqin said. The technological transformation will focus on textiles and light industries, especially knitwear, printing, wrist watches, household chemicals and food-stuffs. The aim is to improve working conditions, raise the technological level, increase variety and the quality of export products. [OW290333 Beijing XINHUA in English 0810 GMT 26 Mar 83 OW]

FUJIAN TECHNOLOGY IMPORTS--Starting this year, Fujian Province will import more than 100 advanced technologies from foreign countries to expedite the improvement of various enterprises in the province. On 20 March, a department concerned of the province announced that 180 kinds of technologies will be imported this year. The purpose of importing foreign technologies is to raise the quality of products, increase variety, improve packing, conserve energy and increase economic results. [OW290247 Beijing XINHUA Domestic Service in Chinese 0733 GMT 25 Mar 83 OW]

CSO: 4006/404

## LABOR AND WAGES

### 'IRON RICE BOWL' OBSTRUCTS SOCIAL PROGRESS

HK290242 Beijing BEIJING REVIEW in English No 12, 21 Mar 83 p 4

["Notes from the editors" column by economic editor Wang Dacheng: "On the 'Iron Rice Bowl'"]

[Text] Isn't the "iron rice bowl" the superiority of socialism? Why are you against it" [paragraph published in boldface]

In "Farewell, Big Public Pots" of Issue No 7 we made the analysis that "eating from the big public pot" is in essence absolute egalitarianism. The "iron rice bowl" is of the same nature. The only difference is that the former is manifested in the wage system and the latter in the labour system.

Since the founding of the people's republic, we have instituted a system that the state provides jobs for people. Once a person was employed by a state enterprise, he was guaranteed a life-long job and a fixed income determined according to the wage scale. Generally, he could not be fired unless he seriously violated the criminal law. Once he became a cadre, as a general practice, he could only be promoted, never demoted. People metaphorically described this as owning an "iron rice bowl."

Of course, in socialist society everybody should have a job whereby to earn a living. Our constitution stipulates that citizens have the right to work and receive remuneration and to enjoy social insurance, social relief and medical and health services if they are disabled. All these are necessary and correct.

But, rights are always linked with duties. The constitution, therefore, also stipulates that the working people should perform their tasks with an attitude consonant with their status as masters of the country, and that the principle of "from each according to his ability and to each according to his work" should be carried out.

The labour system characterized by the "iron rice bowl" absolutizes this relative social insurance and changes it into unconditional job insurance and income insurance. In fact, this practice encourages the indulgence of those who want to enjoy the advantages of socialism but not to perform their duties. It does not help develop the initiative or the creativity of the industrious.

Under this system, employment had only one channel--the unified state assignments. But the state enterprises and undertakings could absorb only a limited number of people. As they had very limited power to transfer personnel, it was difficult for them to acquire the people they needed or to transfer those they did not need to other units. This resulted in a wasteful and irrational use of labour power.

To overcome these shortcomings, in recent years we began abolishing life-long tenure for cadres and empowered enterprises to fire those who often were absent from work without leave or adopted an extremely irresponsible attitude towards their work despite repeated admonitions.

At the same time, we opened up numerous employment channels in addition to the state labour departments, including advertising for professionals, recruiting workers through examinations and encouraging individuals to set up co-ops or find jobs for themselves.

At present, a labour contract system is being practised among the job-waiting youths in some places. The contracts are signed by both workers and employers (state enterprises and undertakings). During the period covered by the contract, the workers' pay is directly linked with how well the enterprise is managed and with their own individual efforts. This system allows enterprises to employ workers according to their needs and workers are able to choose jobs and develop their special skills.

The reform of the long-standing "iron rice bowl" system will be gradually carried out after experiments have been made in some places.

At the same time, resistance to change based on conventional ideas must be overcome. This ideological resistance is the product of the small-peasant economy which existed in old China.

Suppressed by feudalism, the economic status of small peasants in the old society was extremely fragile. They could barely withstand natural calamities and social or individual misfortunes and led a very unstable life. Therefore, they yearned for an insured life. The labour system of the "iron rice bowl" and the wage system of "eating from the big public pot" reflected this desire.

It is necessary to help people understand that these practices reflected an illusion in the old society and that in the socialist period, they obstruct social progress and go against the fundamental interests of the people.

CSO: 4020/67

## LABOR AND WAGES

### PRC SEEKS TO IMPROVE WORKER EDUCATION

HK270222 Beijing CHINA DAILY in English 27 Mar 83 p 1

[Report by CHINA DAILY reporter Liu Dizhong: "Steps Taken to Improve Education for Millions"]

[Text] China is trying every means to spread literacy and technical training of workers and staff to meet the demands of the nation's modernization programme, according to Pu Tongxiu, deputy minister in charge of the commission for education of China's workers and staff.

Pu told CHINA DAILY yesterday that of the nation's 99 million workers only 44 million are technical workers, of whom more than two thirds are in grade 3 or below out of a possible eight grades for workers.

The army of staff--totalling 20 million--is no better in terms of literacy, Pu noted. "For instance, 60-70 per cent of the 10 million staff members in industry, communications, capital construction finance and trades have had at best no more than a junior middle school education.

By the end of last year, more than 60 million workers and staff had attended courses mainly in reading, technical know-how, enterprise management and politics.

He said that about 66 million workers and staff, or 60 per cent of the total workforce, are under age 35, of whom 30 million are junior middle school or primary school graduates. Last year 24 million of these received further cultural and technical schooling and 15-20 per cent passed junior middle school graduation exams.

Another 14.915 young and middle-aged leaders of enterprises in 22 municipalities, provinces and autonomous regions took part in one-year training courses mainly on management and operation of enterprises, he said.

By the end of 1982, Pu said, nearly all leading cadres above the county level in industry and economic under-takings had undergone basic training and their courses are turning to more professional purposes.

He said workers studying at universities sponsored by TV totalled 347,200 last year, there are 1,376 schools run by trade unions with 850,000 students and 612

operated by democratic parties and associations of industry and commerce with 100,000 students majoring in 50 professions.

However, the deputy minister pointed out that many leading cadres pay little or no attention to education of workers and about 20-30 per cent of the nation's enterprises lag far behind and have no concrete plans for schooling their employees.

In addition, there are various problems in the education system--courses, teachers, funds, and textbooks designed for workers.

It is expected that in 1983 all young and middle-aged workers will be trained by rotation. "By the end of this year, another 15-25 per cent of the worker students should reach junior middle school level as should by strict examinations and then they will be sent by turn to vocational schools for further studies.

He said the state had stipulated that every enterprise should budget an amount for worker education equal to 1.5 per cent of its total wages.

The state also stipulates that enterprises provide floor space for educational purposes equal to at least 0.3-0.5 square metres per worker. More classrooms or school buildings will be built this year to replace makeshift lecture sheds, he said.

Priority in promotions should be given first to students who do better in their studies, the deputy minister said.

CSO: 4020/67

## LABOR AND WAGES

### 'RENMIN RIBAO' INTERVIEW ON LABOR CONTRACT SYSTEM

HK310519 Beijing RENMIN RIBAO in Chinese 27 Mar 83 p 5

[Feature: "An Important Reform of China's Labor Employment System--Responsible Person of Ministry of Labor and Personnel Answers Questions by RENMIN RIBAO Reporter on the Labor Contract System"]

[Text] [Abstract] For a period of time to come, we will make the transition by practising "the new system for new people, and the old system for old people." That is to say, personnel recruited from now on will practice the labor contract system, while those staff and workers who already have permanent positions will for the time being carry on under the existing system. However, the existing system, according to the spirit of smashing the "iron rice bowl," must be gradually reformed. Having gone through certain steps for reform, all staff and workers will ultimately practice the labor contract system. [End abstract]

Since the Ministry of Labor and Personnel issued the circular concerning the active trial-practice of the labor contract system, many provinces, cities and autonomous regions have made preparations for launching pilot projects. Areas which have trial-practiced the system are summing up experience and finding a way to develop it in depth. This important reform of the labor employment system has attracted attention from different quarters and many questions have been raised. So recently, our reporter interviewed a responsible person of the Ministry of Labor and Personnel and asked him to answer some questions on the application of the labor contract system.

Question: What is meant by the labor contract system?

Answer: The labor contract system is an important directional reform of our labor employment system. It changes the original old system of permanent employment and through the signing of contracts stipulates the duties and rights of the laborers and the employers and combines responsibilities with rights and interests. This is a new labor employment system which combines the labor contract system with the system of economic responsibilities. In signing labor contracts, it is necessary to observe the relevant policies, laws and regulations of the state and adhere to the principle of equality and mutual benefit and the principle of reaching unanimity through consultation. The contract terms should generally include production tasks, duration of the contracts, payment for labor, labor protection, insurance benefits, conditions under which

the contracts can be terminated, responsibilities for violating the contract terms and other rights and obligations of the signing parties. In order to distinguish the laborers who practice the labor contract from the present permanent laborers, we can call them contracted laborers. In employing contracted laborers, as in employing permanent laborers in the past, it is necessary to employ them according to the labor plans transmitted by the state. The social and political status of the contracted laborers is exactly the same as that of the permanent laborers.

Question: Why do we practice the labor contract system?

Answer: We must begin with the labor employment system which is currently in force in our country. All of us know that, with permanent employment as its central feature, the present labor employment system has the drawback of the "iron rice bowl" which combines with the drawback of "eating from the same big pot" in distribution. Consequently, in utilizing personnel, we can employ people but not dismiss them; in distribution, we can give people more but not less; to do much work is as good and to do little; to be technically more skilled is the same as to be technically less skilled; the first line and the second line are just the same. In addition to all these, there are other serious problems as well. They enable some people to have an easy conscience although they "eat from the same big pot" at the expense of the enterprises and state, do not properly work and produce and do little themselves but seize the fruit of the labor of others. Objectively speaking, the advanced are discouraged while the backward are protected. Some people regard the "iron rice bowl" and "eating from the same big pot" as the "superiority of socialism." This is a misunderstanding. The "iron rice bowl" and "eating from the same big pot" are not the "superiority of socialism." The socialist system ensures that everybody is provided for on condition that everybody tries his best to work and labor. It is absolutely not a system which provides for lazy people. The socialist system is an advanced system which can rapidly develop productive forces, promote labor productivity and improve economic results; while the "iron rice bowl" hinders us from arousing the laborers' enthusiasm and the advancement of science and technology and the development of productive forces. Thus, we have no other choice than to eliminate the age-old malpractices in the present employment system. Otherwise, they will be a drag on the four modernizations.

The labor contract system practices a combination of responsibilities, rights and benefits. The most important feature is the responsibilities. Rights and benefits are fixed according to responsibilities. In this way, we can more fully implement the principle of from each according to his ability, to each according to his work. People who work harder are given more, people who work less hard are given less and people who do not work are not given anything. In this way, the laborers' enthusiasm can be aroused and the masses of workers will adopt an attitude of being the masters of their own affairs toward production and work. In addition, the labor contract system can enable the enterprises to select and employ people according to the needs of production. Manpower is to a certain extent adjusted and individuals can select their own occupations within certain limits. The system facilitates the rational disposal, utilization and circulation of social manpower and helps people give full play to their abilities. Judging from the preliminary results achieved in

where the system has been trial-practiced, the contracted laborers have better attitude toward labor, better labor discipline and better labor efficiency. With the gradual deepening of the reforms, the active role played by labor contract system will be further displayed.

Question: What is the difference between the labor contract system and wage labor?

Answer: The contract labor system under socialist conditions is essentially different from the wage labor system under capitalist conditions. The nature of labor is determined by ownership, or the ownership relations of the means of production. The capitalist system of wage labor is the product of the bourgeois system of private ownership of the means of production. In China, where the economy characterized by the socialist system of public ownership of the means of production has been established and where the exploitation system is eliminated, manpower is no longer a commodity. Consequently, the wage labor system is uprooted. The capitalist wage labor system helps capitalists squeeze surplus value out of the laborers and it reflects the relationship between the exploiters and the exploited. Through the signing of labor contracts, the socialist labor contract system fixes the responsibilities, rights and benefits of the laborers and the employers and embodies the principle of giving consideration to the interests of the individuals, collectives and the state. It is in keeping with both the immediate and fundamental interests of the laborers.

Question: What is the difference between contracted laborers and casual laborers?

Answer: Contracted laborers are laborers formally employed by signing contracts within the limits of the state labor plans. The system can be applied in units owned by the whole people and collective units above prefectoral and county levels and in ordinary work or technological work. Laborers engaged in normal production or laborers employed on a long-term basis as necessitated by the posts can sign long-term contracts or short-term contracts (for example, 3 to 5 years); when the contract expires, the persons concerned can renew the contract provided that the work still needs them and that they are willing to do so. It is necessary to stipulate that the contracted laborers enjoy social security benefits and that there are labor service companies to act as management organs which ensure that they are given means of subsistence if they are sick, wounded, handicapped or old. The labor contract system facilitates the rational circulation of manpower to a certain extent and can maintain the relative stability of the contingents of workers through economic means. In addition, we should also see that, under the conditions of our country, characterized by a planned economy, the results of the application of the labor contract system will make the majority of contracted laborers stably remain in the same units for a long time. In the future, there should not be mobility of manpower caused by fluctuations in production, and few people will be dismissed for poor attitude toward labor or seriously violating discipline. All these make the contract labor system differ from the casual labor system in the past.

Question: Is there any provision which stipulates the political and economic treatment of the contracted laborers?

Answer: Contracted laborers are part of the working class and masters of the enterprises. With the development of the labor contract system, their proportion in the working class will gradually increase and they will become the major part of it. Of course, they should be given treatments the same as those received by the present permanent laborers in admitting them into the CYL and unions and in giving them a political education and technical training. In giving them wages, and social security and other fringe benefits, we should not rigidly copy the method of "eating from the same big pot" under the permanent employment system but carry out correspondent reforms in the system. The general direction is to more fully implement the principle of distribution according to work. Under the same conditions, if the contracted laborers work harder and make greater contributions than the permanent laborers do, they should be given salaries higher than those received by the permanent laborers. Flexibility in wage system is permissible. The system of giving different wages to people occupying different posts and the floating wage system and other wage systems which are in keeping with the principle of distribution according to work can be practiced. It is necessary to let contracted laborers from cities and towns enjoy social security. It is also necessary to give due attention to their living benefits, including the solution of their housing problems. In short, if the above problems are satisfactorily solved, we can help the employers raise labor efficiency and improve economic results. This is beneficial to the contracted laborers. The view which holds that the contracted laborers are not as good as the permanent laborers is a misunderstanding.

Question: How should we further promote the labor contract system?

Answer: In reforming the labor employment system and promoting the labor contract system, it is necessary to proceed from reality and carry out the reforms in an orderly and resolute way. As far as the whole country is concerned, in practicing the labor contract system, we are still confined to the stage of launching pilot projects. However, we can see, from the effects achieved in pilot projects launched by some units, the notable superiority of the system. In promoting this system, at first, we lack experience. Consequently, it is inevitable that there will be drawbacks. But if the direction is correct, we should carry on. According to our tentative plans, roughly, the steps are: within a certain period of transition, both the new system with the new type of laborers and the old system with the old type of laborers are practiced. That means, the newly employed laborers practice the labor contract system while the original permanent laborers practice the existing system. However, we must gradually reform the present system with the spirit of breaking free from "eating from the same big pot." With the implementation of several reformatory steps, it is expected that all workers will eventually practice the labor contract system. We hope that, within 1983, all the areas and units which have trial practiced the labor contract system will properly speed up and deepen the reforms, in particular the reform of the wage, benefits and social security systems, in order to coordinate them. In addition, we advise the provinces, cities and autonomous regions which have not yet trial-practiced the system to select 1 or 2 counties and cities to launch pilot projects and to gain experience. They should gradually enlarge the scope of the application of the system by first applying it at a few key points and then in a whole area.

In addition, it is necessary to study the formulation of labor contract law on the basis of a summarization of experience in order to guarantee the smooth implementation of the labor contract system. To reform the labor employment system and to implement the labor contract system are important issues which must be carried out under the joint leadership of the party committees and people's governments at all levels. The Ministry of Labor and Personnel should fully promote its role and be a promoter of reforms. We hope party committees at all levels, propaganda, theoretical and information units and other parties concerned pay attention to making a success of propaganda and education. The implementation of the labor contract system enables the country to become prosperous and the people to become rich and happy. As long as we work hard and clearly explain our reasons, the masses will support and actively take part in this reform.

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## LABOR AND WAGES

### 'RENMIN RIBAO' URGES EXECUTION OF CONTRACTS

HK041244 Beijing RENMIN RIBAO in Chinese 4 Apr 83 p 1

[Commentator's article: "A Contract Is Not a Unilateral Voluntary Letter of Guarantee on the Part of the Peasant Households"]

[Text] Recently, the peasant masses in quite a few places have sent us letters reporting on the failure of some professional departments, communes, production brigades and teams to conscientiously carry out the contracts signed with the peasants and even the unilateral scrapping of contracts. In their letters, the commune members said: "What economic contract is it if only we peasants carry out commitments while they are not responsible for the contract and can do whatever they want? Does this not mean our unilateral voluntary letter of guarantee?"

This reflection merits the close attention of the relevant quarters. There are indeed some comrades who have not sufficiently understood the important function of the contract system in the current rural economic reform and who have adopted an erroneous attitude toward the execution of contracts. This constitutes an important question for stabilizing and improving the responsibility system, which merits our close attention.

Various forms of the system of contracted responsibilities with payment linked to output are being extensively promoted in the rural areas. Among them, the system of contracted responsibilities on the household basis has become the principal form. This form has expanded the decisionmaking power of peasants, shaken off the previous pattern of unified management characterized by over concentration, and brought into play the advantages of small-scale operation. However, after the peasants engage in decentralized operation, the state should continue to make overall arrangements for agricultural development plans, production tasks and the purchase and marketing of farm produce and sideline products, carry out planned guidance on the production and operational activities of peasant households and ensure the supply of important farm produce and sideline products to the people in town and county. The practice of the contract system is precisely a good form and a strong guarantee for activating the economy. Through contracts, the state purchases farm produce and sideline products from peasant households and provides peasant households with funds, technology and materials; the peasant households, on the other hand, should sell to the state according to contracts, the necessary farm produce and sideline pro-

ducts, deliver collective retention, get proper economic profits and buy means of production unavailable on the market. The contract system is an important link for integrating and coordinating the state, the collective and the peasant households. As far as the content of a contract is concerned, both signatory parties have rights and obligations. A contract is not a unilateral voluntary letter of guarantee on the part of the peasant households.

In order to activate the economy, it is necessary to institute a contract observed by both parties. Some comrades think that since they act on behalf of the state or the collective, they can order the peasants about and willfully change and even tear up contracts, regarding this as safeguarding the interests of the state and the collective. They should understand that if they fail to abide by the contracts and thus infringe upon the interests of the peasants, they will dampen the enthusiasm of the peasants in production, which is bound to infringe upon the interests of the state and the collective. We should never overthrow or replace a contract according to the views of a small number of people.

At present, the contract system has not yet been instituted in some localities. It is not perfect enough in some places where it has been instituted. Of course, there are many reasons giving rise to this situation. Some localities have turned a contract into a "unilateral voluntary letter of guarantee" on the part of the peasants by frequently breaking their promise to the peasants. This constitutes an important reason adversely affecting further implementation of the contract system. We should vigorously publicize and practice the contract system and educate the signatory parties to abide by the contract. It is necessary for some comrades to change their ideology and work style, treat the peasants as equals when consulting with the peasants and signing and carrying out the contract and actively support them in getting rich through labor. With respect to the contract that has already been signed, we can consult the contracting households if the targets for contract have really been set on the low side and we can revise it after we really get their approval. We cannot make a change if the contracting household refuses to do so and we can renegotiate it only when the contract has expired and there is a need to sign another contract. A contract has a legal effect. The party which unilaterally alters or tears up a contract should bear a legal responsibility and compensate for a loss according to law. It is necessary for the leading bodies at various levels to conscientiously pay attention to the execution of contracts and seriously deal with all kinds of contract disputes in accordance with the law of economic contracts. The focal point of our work at present is to safeguard the just interests of the contracting peasant households and protect the initiative of the peasants in production.

CSO: 4006/426

LABOR AND WAGES

BRIEFS

WAGE REFORMS DISCUSSED--From 19 to 25 March, the provincial government held a forum in Changsha on pilot projects in wage reforms, to consider and make arrangements for instituting floating wages while trial-operating the system of contracted responsibilities in management and for organizing pilot projects in wage reform. Provincial CPC committee Liu Zheng made a speech. The meeting decided that it is necessary to tackle three reforms in floating wages this year: 1) Introduce everywhere floating wages with hardly any increase in the total wage bill; 2) designate a small number of enterprises as pilot projects for a self-financed floating promotion system and establish a regular floating promotion system; 3) designate pilot projects in a few units in self-financed wage readjustment and in reform of the wage system. Comrade Liu Zheng stressed at the meeting: Whichever method is adopted, it is necessary to stick to a general principle, which is, under the premise of upholding the socialist orientation and ensuring the fulfillment and overfulfillment of profit delivery to the state, strive to increase production and practice economy, develop production, improve economic results, uphold the principle of the major share for the state, the medium share for the enterprises and the small share for the individual, and enable some people to get rich before others. [Text] [HK260557 Changsha Hunan Provincial Service in Mandarin 2310 GMT 25 Mar 83]

CSO: 4006/426

## TRANSPORTATION

### ARTICLE ON DEVELOPMENT OF CHANGJIANG RIVER

HK220213 Beijing BEIJING REVIEW in English No 10, 7 Mar 83 pp 25-27

[Article by Zhou Mingjing, associate research fellow, and He Liyun, engineer, "Both of the Navigation Planning and Design Institute of the Ministry of Communications": "Comprehensive Plans for the River's Future"]

[Text] The potential carrying capacity of the navigable portion of the Changjiang River equals 14 railways of the same length. But poor management and policies, and lack of an overall plan, have blocked full utilization of the river's immense resources.

Chinese navigation experts have put forward a number of major proposals to develop the Changjiang's potential as China's chief inland waterway and an axis for the export trade.

#### Management Reforms

One vital need is co-ordinated management of such areas as shipping, water conservancy, power generation, bridge building, fish-breeding, water supply, environmental protection and so on. At present, these are managed separately by different departments and localities whose functions and responsibilities often overlap. Shipping on the Changjiang itself and its tributaries are run by a number of different authorities, for example, thus seriously hampering co-ordinated utilization.

Regional and departmental barriers must be broken down and a special state agency established to map out general plans and provide unified guidance for the multipurpose utilization of the Changjiang's resources.

Past experience has provided valuable lessons.

In 1958, a headquarters was set up to co-ordinate the grand canal engineering bureau and other departments concerned in expanding the traffic volume of the grand canal. The work went smoothly: In a little more than 2 years a 404-kilometer section, from Xuzhou to where the canal joins the Changjiang, was widened and dredged. This brought manifold benefits: Cargo shipping capacity rose from 900,000 to 16 million tons; 8.43 million mu of land was brought under irrigation; 62.43 million mu were freed from waterlogging, and the river's flood-resisting capacity was fortified.

The functions and powers of the CRNAB [Changjiang River Navigation Administration Bureau] should be clearly defined. As a government department, it should formulate relevant policies and regulations, collect shipping and other fees, co-ordinate the work of various shipping agencies and supervise safety procedures. Meanwhile, a general shipping corporation should be set up to supervise cargo handling along the river and in ports. This corporation should organize a number of sub-companies specializing in co-operative or combined transport in the light of economic conditions along the river; in this way, procedures can be simplified and through traffic expanded.

Port administrative departments should be separated from loading and unloading enterprises, and each port should be put under the dual leadership of the local government and the higher shipping administration. Major ports should be directly managed by the Ministry of Communications, but in other ports the local governments should have more say.

#### Riverside Factories

Foreign experience shows that building riverside factories benefits the enterprises themselves and also boosts inland shipping. This is especially so with iron and steel plants, chemical factories and power stations which can make full use of both the water and cheap transport facilities. For shipping companies, this means steady, regular cargo.

Riverside factories have also proved their worth in China. The Suzhou-Changzhou section of the grand canal, for example, is lined with numerous factories. In the medium-sized industrial city of Suzhou alone, 175 factories are located on the canal. Despite its small capacity, the canal handled more than 30 million tons of freight in 1979.

At present, the Changjiang navigation network handles little more than 200 million tons of cargo annually, falling far behind other rivers of the same magnitude. This is partly attributable to the past one-sided stress on building factories "scattered, near mountains and in tunnels" for defence reasons. This resulted in a lopsided industrial distribution, with very few riverside factories. The transport factor was neglected.

That practice has finally been repudiated. Riverside factories are encouraged and river transport is a key factor in choosing new plant sites. Eight of the 14 large chemical installations imported from abroad in recent years were built along the Changjiang, as were four new oil refineries and Shanghai's giant Baoshan Iron and Steel Complex.

Riverside enterprises are encouraged to build their own docks or invest in port facilities under the guidance of a unified plan. For enterprises with financial difficulties, the state has granted necessary subsidies.

#### For an Extensive Waterway Network

A nationwide inland river transport system centered around the Changjiang is both possible and necessary. In the upper reaches of the river, after har-

nessing and dredging, Sichuan Province's Minjiang, Tuojiang, Jialing and Fujiang Rivers on the northern bank can join Guizhou Province's Chishui and Wujiang Rivers on the southern bank to form a southwest China waterway network with Chongqing as its hub.

In the middle reaches, Hunan Province's Qingjiang, Xiangjiang, Zijiang, Lijiang, and Yuanjiang Rivers and Jiangxi Province's Ganjiang can be linked with the Jianghan Canal to be dug in Hubei Province to form a central China waterway system with Wuhan at the centre.

In the lower reaches, after the Jianghuai Canal in Anhui Province is completed and the grand canal (running through Zhejiang, Jiangsu, Shandong, Hebei and Beijing) is widened, a flourishing water network will appear in east China with Shanghai as the hub.

In all these endeavours, river harnessing and dredging will be combined with building canals. Navigation conditions on the Changjiang will be constantly improved to keep up with economic development. The tributaries will be gradually knitted into the navigation network and their traffic improved. This could start with tributaries in the lower reaches and be accomplished in stages.

The building of canals on the Jinsha River and other tributaries in the middle and upper reaches will extend their navigable distances for vessels of 300, 500 and 1,000 tons and link them with the Baoji-Chengdu, Chengdu-Kunming and Chongqing-Guiyang Railways and highways. This also will allow them to serve the large coal, phosphorus and iron and steel industries along the rivers.

In the middle and lower reaches, major efforts will be devoted to dredging river beds and shallows and linking the grand canal with the Haihe, the Huanghe, the Huaihe, the Changjiang and the Qiantang Rivers. This in turn will link the northern network, via the Jiangxi-Guangdong and Hunan-Guangxi canals, to the Zhujiang (Pearl) River.

Thus a nationwide waterway system will take shape, realizing an old dream--that ships could sail from Beijing along inland waterways all the way down in the South China Sea.

CSO: 4020/67

## TRANSPORTATION

### BRIEFS

JIANGXI RIVER PROJECT--Construction will start soon on the first comprehensive river development project in Jiangxi--the Changjiang Planning Project. The river flows across the northeast of the province and is 253 km long, with a total drainage area of nearly 6,000 square km. The main purpose of the project is to develop navigation. It will also provide water need by the power plants in Jingdezhen City and for farmland irrigation. It calls for the construction of a dam that will also serve as a bridge with a span of 251 meters. There will be a ship lock and nine sluice gates. When completed, vessels up to 300 dun can sail straight to Jingdezhen from the Changjiang. Annual total of cargoes transported is expected to reach between 780,000 and 1.1 million dun. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 29 Mar 83 OW]

NEW AIR ROUTES OPENED--The China Civil Aviation Administration decided to open on 1 April, two new Trident routes. One is from Shenyang, Liaoning Province, to Guangzhou, Guangdong Province, via Tianjin, once a week, on Friday. The other is from Shenyang to Wuhan in Hubei Province via Beijing, twice a week, on a Tuesday and Friday. [SK270933 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 13 Mar 83]

NEI MONGGOL RAILWAY CONSTRUCTION--The project of double-tracking the present Datong-Baotou Railway is now under rapid construction. This is one of the key construction projects of the state in 1983. In addition, the project of rebuilding the Haibowan-Lazengmiao Railway will also be started this year. Completion of these two projects will increase their transport capacity by 70 percent and 200 percent respectively. [SK101109 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 31 Mar 83]

NEI MONGOL RAIL LINK--Hohhot, 24 Mar (XINHUA)--The 400-kilometer-long railroad connecting Tongliao City with the Huolinhe Coal Mine in Nei Monggol was open to traffic on 23 March. The railroad was completed in May 1982. In addition, a 160-kilometer-long highway linking Chalute Banner with the Huolinhe Coal Mine has also been completed. The road is suitable for heavy trucks. [OW290353 Beijing XINHUA Domestic Service in Chinese 0730 GMT 24 Mar 83]

BAOJI-CHENGDU RAILROAD TRAFFIC REVIVES--Traffic capacity on the Baoji-Chengdu Railroad is rapidly recovering from the serious damage caused by the great floods in 1981. Transport capacity has continually increased over the past year. Following the addition of two additional pairs of freight trains on 5

March, a further two pairs have been added from 1 April. By now there are 7 pairs of passenger trains and 13 pairs of freight trains running south and north every 24 hours. This is a 100 percent increase from the 5 pairs of passenger trains and 5 pairs of freight trains at the beginning of last year. The repair gangs of the Nos 1 and 2 engineering bureaus of the Ministry of Railways and the Xian Bureau have been working alongside laborers in Sichuan, Shaanxi and Gansu for over 1 year now. At present, the repair gangs are consolidating the hillsides and slopes and constructing diversion lines. They are preparing to meet the test of the second flood season since the disaster and to further increase traffic capacity. [Excerpts] [HK020154 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 1 Apr 83]

FUJIAN HARBOR, AIRPORT EXPANSION--Fuzhou, 30 Mar (XINHUA)--Fujian Province's ports handled 1.59 million tons of import and export cargo last year, 62.7 percent more than in 1979, according to provincial authorities. Fujian Province has, in the last 4 years, expanded the ports at Fuzhou, Xiamen, Quanzhou and other places investment in port facilities since 1979 is triple that during the previous 29 years. Plans are being made for further expansion. Fuzhou Port can now accommodate 5,000-ton vessels and Xiamen Port, 10,000-ton vessels. The Fujian Provincial Shipping Corporation has 28 vessels with a combined load capacity of 67,500 tons. It operates freight shipping services to Hong Kong, Manila and other ports. In addition, Fujian has paid attention to improve its air service. Fuzhou Airport, newly expanded, now has air service from Hong Kong. Xiamen Airport now under construction, is expected to open in the autumn. [Text] [Beijing XINHUA in English 0807 GMT 30 Mar 83 OW]

CSO: 4020/67

GENERAL

YU GUANGYUAN SPEAKS ON SOCIALIST ECONOMY

HK130909 Beijing ZHONGGUO JINGJI WENTI in Chinese No 1, 20 Jan 83 pp 1-10,  
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[Article by Yu Guangyuan [0060 0342 6678]: "Several Basic Theoretical Questions About Socialist Economy--Based on Excerpts of a Recorded Talk Given by Comrade Yu Guangyuan at the Economic Institute of Xiamen University on 26 October 1982, Collated by Comrades Lin Jinding [2651 6855 6928] and Huang Ruguang [7806 1172 0342] of the Institute"--passages within slantlines denote underscoring]

[Text] At present, we Marxists are confronted with many theoretical questions about the socialist economy that are worth studying. Today, I will give a brief talk on the following four questions.

I. What Is Communism?

I want to first ask: What is socialism?

Everyone's answer to this question will be: socialism is the first stage of communism.

If we further ask, what is communism? Then the answer will also be: communism means the joint ownership of the means of production by members of society and shared labor in this society.

Thus, I want to raise another question: Does primitive communism not also mean joint ownership and shared labor? Then what are the differences between what we now mean by communism, or the new society appearing after the capitalist society, and primitive communism?

These questions have given rise to the problem of how to accurately give expression to what determines the nature of what we mean by communism, as distinguished from primitive communism. I think that this problem is already known to everyone. But perhaps it has not been carefully pondered, and not been made very clear.

I want now to take up this problem and say something by way of an answer. This answer is not likely to satisfy everyone. I myself am also still considering it. If it is not too appropriate, all comrades should also study what would ultimately be a relatively satisfactory way of putting things.

Everyone is quite familiar with the history of social development. The most primary stage of development of human society is primitive communism. This stage covered a very long period of time--so long that the subsequent society of private ownership was insignificant by comparison. After the future triumph of communism in the whole world, the system of private ownership will not reappear. The society of private ownership could be described only as a brief interlude. In that very long period of the existence of primitive communism, it itself also underwent great changes. In the social organization, or the primitive commune that already relatively thrived in its later stage, people shared the ownership of communal property and worked together in the commune. After this primitive communist society, there was the society of private ownership. Over several thousand years, the society of private ownership went through the three basic patterns represented by the slave system, the feudal system and the capitalist system. With the development of the capitalist system, human society will again develop in the direction of negating private ownership. The society of private ownership will give way to communist society marked by joint ownership and shared labor. Since the first decade of the 20th century, the system of private ownership in some countries of the world has been overthrown. All countries in the world sooner or later will also follow this road. Therefore, such a process of development of human society may be simply put as: from communism and back to communism through private ownership, or a process of "the negation of negation."

"The negation of negation" is not simply a return to the original starting point; it is instead a development through this process to a still higher stage. The communist society that returns after the society of private ownership is of course not a primitive communist society. The two are marked by joint ownership and shared labor. (It is exactly this common feature shared by them that makes them both communist societies.) But they are basically different in what determines their nature.

The above principles can be said to be self-evident. The problem is: how should we sum up what determines the nature of a communist society that today represents the future in the history of social development of all mankind? What should we call this new communist society? In other words, we have now called the communist society at the most primary stage of development of human society "primitive" communist society, using the word "primitive" as a modifier of the term communist society. Then what should be the proper modifier used for a communist society that has returned after the negation of negation?

A modifier is a simplification of what determines the nature of things. Therefore, we should first distinguish the basic differences between the primitive communist society and the new communist society and sum them up. Then we should consider what would be a relatively satisfactory modifier to use for this new society. I feel that it is not difficult to sum up the differences between the two kinds of communist societies. It is very clear that "primitive communist society" is a communist society built on the basis of an extremely low level of productivity. As far as the relations of production themselves were concerned, social members there shared the ownership of the means of production and worked together only within an extremely

narrow scope (usually only a few dozen people, up to 100 people, or at most several hundred people involved), and the division of labor among social members and the then social organization were extremely simple. The new communist society, in its present meaning, is based on modern social mass production, the great development of productivity being a prerequisite for such a communist society. As far as the relations of production themselves are concerned, it practices, within the scope of a modern country (at least several hundred thousand people, usually several million people, or several tens of millions of people, and more than 1 billion in our country), joint ownership of the means of production and joint participation in labor by members of society, the division of labor among them being extremely complicated and elaborately defined and the social labor organization unusually strict. It thus forms into a whole that carries out mutual cooperation among various sectors of the national economy under the guidance of a powerful center armed with modern science.

If the above concept of distinguishing the differences between these two kinds of societies is relatively appropriate, I think that we can use "socialist" as a modifier of the term of "communist society," in order to distinguish it from primitive communism. Thus, we can say that the history of development of human society dates from primitive communist society to the society of private ownership and then to the "socialist communist" society.

I want, first of all, to talk about how this idea of mine has formed.

Now, we generally use the term of "socialism" to denote the primary stage of communism. We have used this term for a very long period of time and it has become very popular. I have no intention of changing this term. I know that any change would give rise to many difficulties in actual work. But up to now I have failed to come up with a modifier better than "socialist." Therefore, I want to restore the dual meaning of "socialism." The first sense is what is commonly called the primary stage of communism. Apart from this, there was originally another sense. It is that socialism and communism are treated as the same social form. But socialism and communism only express from different angles what determines the nature of this same social form. The term "communism" is used to indicate such a basic feature as joint ownership of the means of production and joint participation in labor by members of this new society and to show that this new society is "the negation of negation," with primitive communism having passed through the stage of private ownership. What the term "socialism" expresses is that this new society is built on the basis of a combination of social mass production with public ownership. It shows that despite the complicated and elaborate division of work in the whole society, with all social members and all social organizations playing their respective roles in assigned fields, they are not private owners or organizations opposed to the whole society, and that in this society there exist the general interests of the whole society, including the interests of all social members and all social organizations. On their part, they also consciously put the general interests of the whole society first. This is a basic feature of the new society in another respect. The features in these two respects of course

basically mean the same thing. But they also supplement each other in certain places. By combining the features viewed from the above two angles, such a term as "socialist communism" can express, to a certain degree, what determines the nature of this society.

Here I want to say that such a way of thinking on my part, though completely different from previous applications of the term socialism, is also based on literature. Everyone knows that the term communism appeared relatively early and that of socialism relatively late. Foreign scholars made many studies on the problem of when the term "socialism" was first used. Some research workers pointed out that this term first appeared in literature of the 18th century. After the appearance of the term "socialism," it was applied to people of different schools of thought, including those with a reactionary viewpoint. Even the progressive users of such a term as socialism also wanted to avoid it in favor of the term communism. Therefore, at the very outset, Marx and Engels refrained from using the former term and only called themselves "communists." Moreover, in the "Manifesto of the Communist Party," they criticized various types of socialists. Not until in the 1870's did Marx and Engels begin to use such a term as socialism and call themselves socialists. After they expressed their viewpoint as "socialist," Marx and Engels in their works applied the term socialism in the same sense as that of communism. They described the doctrine as the scientific socialist doctrine and also as the scientific communist doctrine.

For a very long period of time at the outset, Lenin also used the term socialism in this way. The same was true of Stalin. From Stalin's work "Anarchism or Socialism," published in 1906, we can note quite a few pages that Stalin devoted to describing the future society following capitalism. Stalin wrote: "The future society is a socialist society." He also elaborated on such points as that socialist society has eliminated classes, exploitation and private ownership; that the aim of production is to directly satisfy social needs, and make competition, crisis and unemployment unlikely; that the state will tend to be wiped out; and so forth. Then he said in conclusion: "Finally, it is very clear that free and friendly labor will surely enable all needs of the future socialist society to be fully satisfied on an equal basis. This is to say that if the future society calls on every member to contribute as much labor as he can, then the society itself should also hand out such a quantity of products as is required by everyone. From each according to his ability, to each according to his needs!--this is the principle on which the future collective system should be based. Of course, at the first stage of socialism, of those people involved in the new way of life, there are still some not accustomed to work. Productivity is also not sufficiently developed. Moreover, there are still the differences between 'heavy manual labor' and 'labor of a light kind.' At this time, it is surely very difficult to carry out the principle of to each according to his needs. Therefore, society is forced to temporarily follow a middle road. But it is similarly quite obvious that when the future society has gone into its own orbit with the remnants of capitalism eliminated root and branch, the above principle will be the only one suited for the socialist society. Therefore, Marx said in 1875: Only at the advanced stage of communist (socialist) society ... can society have its own banner with the inscription: 'From each according to his ability, to

each according to his needs.'" ("Collected Works of Stalin," Vol 1, pp 307-308) In this passage, Stalin put things in very clear terms. Communism means socialism. The first stage of communism is the first stage of socialism, and the advanced stage of communism is the advanced stage of socialism. From each according to his ability, to each according to his needs--this means socialism and is the only principle suited to socialist society. At the first stage of socialism, we cannot help temporarily following a middle road.

Taking socialism as the first stage of communism began with Lenin's "The State and Revolution." In this work, Lenin, recommending Marx' "Critique of the Gotha Program" on Lazzalle's idea about laborers receiving "total" or "all products of labor," wrote: when Lazzalle describes this system (usually known as socialism, and called by Marx the first stage of communism) as a matter of 'fair distribution,' and as a case in which 'everyone has an equal right to obtain the same products of labor,' he is wrong." ("Selected Works of Lenin," Vol 3, p 250) Lenin also wrote: "At the first stage of communism (usually known as socialism), the 'bourgeois right' has not been completely abolished and is only partially abolished, or abolished only within the scope of an economic reform already effected, or with regard to the relations of the means of production." ("Selected Works of Lenin," Vol 3, pp 251-252)

Beginning from this time, socialism became a simplified term for the first stage of communism. But here Lenin in deference to the then popular version did not write anything to prove that we must use the term socialism in this way. He did not even give a simple explanation. After this, Lenin often used the term socialism in the sense of the primary stage of communism. But he also often still used it in the same sense as communism. Even now, with everyone already accustomed to using socialism to denote the first stage of communism, we also often take socialism as a synonym for communism. For example, in our discussions on the doctrine of "scientific socialism," the term "socialism" used carries the same meaning as communism, because "scientific socialism" means "scientific communism." We need only say that the doctrine of the primary stage of communism is the development of human society.

The above literature provides a basis for our using the term of socialism in two different senses.

## II. The Basic Characteristics of Socialism

What we mean by "socialism" here is the first stage of communism.

What are the basic characteristics of a socialist society in this sense?

Since what we mean by socialism is the primary stage of communism, the basic contents of such a social economic form as socialism are first things that the primary stage and the advanced stage of communism have in common, namely the general contents of communism (or general "contents of socialist communism" in the language used above). We may draw an analogy. A "child"

represents the primary stage of development of a "man." His basic characteristics are first such "human" characteristics he has in common with the other stages of development of man--adolescence, youth, maturity and so forth. But just as a child's basic characteristics represent not just the general characteristics of a "man" but also include the characteristics peculiar to the stage of a child, communism as the primary stage of communism also naturally includes its own peculiar characteristics. In other words, the basic characteristics of socialism should be the sum of characteristics in two respects. Therefore, in a work shortly before the October Revolution, Lenin used such a formula as: Socialism equals public ownership of the means of production plus distribution according to labor to denote the basic characteristics of socialism. The basic style of this formula represents the characteristics of socialism, including those in two respects: 1) "The means of production are publicly owned by society"--this represents what the primary stage and the advanced stage of communism have in common; 2) "Distribution according to labor"--this represents something peculiar to the primary stage of communism. To combine the two is to give full expression to the basic characteristics of the primary stage of communism.

I think that this formula of Lenin's is very complete. Some people have asked why we do not include in this formula such points as: "The aim of socialist production is to satisfy the ever-growing material and cultural needs of social members," "socialist production is capable of continuous growth without cyclical crises," "the socialist economy develops in a planned manner," and so forth. This problem can be easily answered. This is because these characteristics of the new society are all the things that the primary stage and the advanced stage of communism have in common. They are all offshoots from such a basic characteristic as the public ownership of the means of production by society. There is, therefore, no need to list them separately.

Here I want to add that if the term socialism is limited to the expression of communism at its primary stage, then those objective laws that are suited to both the primary and advanced stages of communism should not be called socialist economic laws and should be called instead "communist economic laws." This means that the law of "the aim of production being to meet social needs" should not be called "the basic socialist economic law" and should instead be called "the basic communist economic law," and that we should not talk about "the law of planned development of the socialist economy" and should instead put forth "the law of planned development of the communist economy." Yet we now still call these laws as they are. I think that we can do so. I do not favor changing the versions of these laws that are now in general use. What I have said is aimed at driving home the point that the term "socialism" here is also not strictly restricted to the primary stage of communism. Here, the previous practice of using the term socialism in the same sense as communism is also followed.

Regarding Lenin's formula, I want today to add something and change it into:

Socialism equals the public ownership of the means of production plus (distribution according to labor plus socialist commodity production).

Compared with the former formula, this formula is entirely the same, except for the addition of "socialist commodity production." The style of this formula still calls for using the method of combining the most fundamental things that the two stages of communism have in common--"public ownership of the means of production" and the things peculiar to the primary stage of communism--to denote the basic characteristics of socialism. This is not different from Lenin's original formula. The differences between these two formulas lie only in the area where that which is peculiar is concerned. Now, I have added "socialist commodity production" to "distribution according to labor" and have also put "distribution according to labor plus socialist commodity production" in brackets. Using the brackets shows that distribution according to labor and socialist commodity production are all things peculiar to the primary stage of communism.

Why should I have added "socialist commodity production?" I think that this addition is a summary of the actual experiences of various countries in the decades or so since the October Revolution and also a summary of a long period of study and debate by Marxists on the problem of socialist commodity production over these many years. Originally, Marx and Engels considered that in the communist society (here they made no distinction between the primary and the advanced stages), commodity production no longer existed. On the primary stage of communism, Marx in the "Critique of the Gotha Program" referred to the problem of retaining "bourgeois rights" and said that the remnants of the old society still existed. But what he said did not go beyond the matter of distribution according to labor. He did not indicate that socialist commodity production would still exist. More than 4 decades after Marx said the above, the October Revolution broke out in Russia. Socialism turned from a movement into a system. Experience in the 6 decades or so since the October Revolution shows that commodity production still exists at the primary stage of communism but the nature of this kind of commodity production and the historical conditions in which it is placed are not all the same as simple commodity production, or capitalist commodity production. It is of a socialist nature and is a special kind of commodity production that has never before existed in history. History shows that the existence of socialist commodity production, like the existence of distribution according to labor, has its historical necessity at the primary stage of communism, indicating that the existence of socialist commodity production is inseparable from the normal development of socialism. To artificially repress such socialist commodity production is also to artificially repress the development of the socialist economy. History in the past 6 decades or so tells us that at first people held the narrow view that commodity production should not exist in a socialist society. They often artificially repressed the progress of socialist commodity production. But the objective laws that had evolved in practice at last made people admit the rationality of the existence of commodity production under the socialist system. After a long period of debate, students of economics also finally affirmed theoretically such rationality. Therefore, though we do not know whether socialist commodity production will after all exist as long as distribution according to labor, or whether the former will disappear earlier than distribution according to labor, it is necessary to add "socialist commodity production" to the formula defining socialism, judging from the stage of social development that is now within our sight.

Regarding the historical fact that Marx just talked about the need to practice distribution according to labor at the primary stage of communism and said nothing about the need of socialist commodity production, I think that Marx held that a new society that had just been born out of an old society would surely carry the traces of the old society. This argument is unusually important and also can be said to be a mark of genius. It has so far remained a fundamental guiding idea to us in our work at the primary stage of communism. Recognition of the necessity of distribution according to labor is an expression of this guiding idea. At such an early stage, Marx paid attention to this and took a clearcut stand for that matter. Moreover, in a struggle against Lazzalle's erroneous viewpoint about "what is earned from labor without the least discount," Marx, in the "Critique of the Gotha Program," gave full expression to this idea of his. But at that time Marx did not consider that in the new society just born out of an old one, there existed the marks of the old society not only between individual and all social members, thus necessitating the principle of distribution according to labor, but also between various social economic organizations, namely between various production units, between production units and circulation units, between areas and between departments, thus also necessitating the practice of the principle of exchange of equal amounts of labor, or the existence of such a kind of social production relations as socialist commodity production. Marx overlooked this factor. At that time, neither did anyone within the socialist political party raise this problem. Nor was there debate on the problem of socialist commodities, forcing Marx to ponder this problem. But not long after the October Revolution, this problem surfaced. Also, in the 6 decades or so since the October Revolution, this problem has been again raised. Therefore, Marxists have come to an increasingly deep awareness of this problem, so that they are finally able to clearly define the point that commodity production exists in production.

There are close relations between socialist commodity production and distribution according to labor. In carrying out the principle of distribution according to labor, consumers demand that they be able to use their pay in currency to buy consumer goods of their own choice on the market. Consumer goods naturally mean commodity production. (Meanwhile, the existence of the two socialist systems of public ownership--state ownership and collective ownership--also makes socialist commodity production necessary.) But the existence of socialist commodity production is not just based on the factor in this respect. In the production of the means of production which has nothing to do with the implementation of the principle of distribution according to labor--even within a socialist state economy--there also exists socialist commodity production. Therefore, socialist commodity production is not part of distribution according to labor but is something on the same par with distribution according to labor. Therefore, in this formula, we should put it and distribution according to labor on the same footing within brackets.

### III. On the Aim of Socialist Production

No economists has ever denied theoretically that the aim of socialist production is to satisfy the ever-growing material and cultural needs of society. This problem seems very simple. But if, proceeding from the aim of socialist

production, we press on with the study of it and draw a conclusion therefrom, we will note that many differences exist among economists.

The differences seem to have arisen from two respects.

The first respect is the idea or action connected with "what to serve in production," as often noticed in actual work. This problem has not been thoroughly solved. Though none has clearly called for production for its own sake, the expression of this idea is not unseen in the field of economic theory. For example, the aim of socialist production originally dealt with production problems. But once it was held that to stress the aim of production is to neglect production, or put the other way, if we do not want to neglect production we should not stress the aim of production. This idea of opposing any talk about the aim of production is related to one-sidedness about the mutual relations between production and consumption. One view calls for only admitting one side--"production generating consumption"--and ignoring the other side--"consumption generating production." On the latter, Marx gave an elaborate talk in the "Introduction of 'Criticism of Political Economy.'" He wrote: "Only in consumption is the final completion of a product achieved" and "Only in consumption does a product become a realistic one." This is to say that if "a product does not suit the market," a product turned out only to be kept in the storeroom will become not "a realistic product." And is a product not finally completed. Marx said: "Without production there is no consumption. But without consumption, there is also no production. If this is the case, production has no aim." He also said: "Consumption generates new production needs and thus produces an inherent motive with regard to the conception of production. The latter are the prerequisite for production. Consumption generates the driving force behind production." This is to say that without studying the problem of consumption and without proceeding from consumer needs, we cannot have a real driving force behind production. It seems that for a fairly long period of time these expositions by Marx did not arouse the widespread attention of economists and statisticians.

Another respect [phrase indistinct]. This problem has especially not been solved. Of course, none have so clearly called for doing so. But this problem seems to have found greater expression in economic theory today than the former respect. Whether socialist production is after all the production of value or the production of use value has reflected, to a certain degree the problems in this respect.

The aim of socialist production originally gave clear expression to the relations between men under the socialist system. After Marx exposed the secrets of commodity production and capitalism, analyzed the inherent unconquerable contradictions in the capitalist system and drew the scientific conclusion that capitalism will naturally be replaced by socialism, the socialist system was guided by correct strategy and was consciously established after hard struggle. Therefore, in the 1950's, I put forth the following viewpoint: the nature of the socialist system and the relations between men under the socialist system are manifest at a glance. They are unlike the relations of production under the capitalist system which are concealed and must be exposed with Marxist methods. This was also a

viewpoint once expressed by Marx. In the sections on "the nature of commodity fetishism and its secrets" in the first chapter of "Das Kapital," Marx analyzed the "secret nature of commodities" and pointed out: "The nature of such commodity fetishism in the commodity world...originates from the socialist nature peculiar to labor in producing commodities." After he did so, to enable the readers to understand and accept this more readily, he used an analysis of things unrelated to commodity production, and made a study of other production forms in an elaborate talk. Marx held that such an approach can make "all the mysteries that shroud the commodity world and all the magic arts surrounding the products of labor on the basis of commodity production disappear instantly." ("Collected Works of Marx and Engels," Vol 23, p 93) Here, Marx, after analyzing the story of Robinson and the Middle Ages in Europe and the economy of the self-sufficient peasants, wrote: "...let us change to another side and assume an alliance of free people. They used the public means of production to carry out labor and consciously use the labor of many individuals among them as the labor of a society. There, all regulations governing Robinson's labor are replayed, not in an individual but within the scope of a society. All products by Robinson are products by himself as an individual and are thus the things directly used by him. All the products of this alliance are social products. A portion of these products are reused as the means of production. This portion still belongs to society. Another portion is consumed by members of the alliance as the means of subsistence. Therefore, this portion must be subject to distribution among them. This way of distribution changes with the patterns peculiar to the social production organism itself and with the appropriate degree of historical development of the producers. Just to form a contrast with commodity production, I suppose, the share that every producer gets in the means of subsistence is determined by the time of labor. Thus, the time of labor plays a dual role. The social planned assignment of the time of labor regulates the appropriate ratios of various labor capacities to various needs. On the other hand, the time of labor is also a measure of an individual producer's share in joint labor and thus a measure of his share of individual consumption in joint products. There, people's social relations to their labor and the products of labor are simple and clearcut, in regard to production or distribution." ("Collected Works of Marx and Engels," Vol 23, pp 95-96)

The last line in this passage from Marx is that the socialist relations of production are simple and clearcut.

In the 1950's when I said that the socialist relations of production are manifest at a glance, I did not take into consideration commodity production as a factor in socialist production. Now, since we have affirmed the existence of commodity production under the socialist system, I think that what I said before should be supplemented. That original line should be changed to read: "The relations of production under the socialist system are basically manifest at a glance, but there are also places where things are not so clear." This is to say that it is still necessary to make analyses and exposures about the nature of the relations between men in commodity production under the socialist system.

Given commodity production under the socialist system, products turned out by various production units represent the production of use value, as far as their socialist nature is concerned. But where various units themselves are concerned, they also are inevitably things of value at the same time, because the economic interests of various units are related to the value of the products turned out by them. A production unit must dispose of a number of products turned out by it to obtain money. Only in this way can it use money with which to pay for wages and workers' bonuses and fringe benefits, and with which to buy raw materials, fuel, and so forth. And only in this way can it use this kind of money to build up its capital reserves. Meanwhile, a commercial department must buy goods as things of value and again sell them as things of value. Only in this way can it again buy commodities and again sell commodities. Therefore, an industrial or commercial enterprise must treat products as things of value. A bank that gives credit to a production or circulation unit must consider conditions about the production of products and the operation of the circulation value. This is the basis of a bank's business activities. Meanwhile, the state financial organs must have financial income and use such income with which to meet demands from various sides on the state's budget. Of course, concern must also be shown over production and the value of products in circulation. In sum, as far as various units, departments and areas are concerned, there is an objective basis for treating the production of products as the production of value. But if a conclusion is drawn on the basis of this that socialist production is the production of value, I am not in agreement. Since the aim of socialist production is to satisfy social needs, then socialist production should basically be the production of use value. The production of value, as far as the various enterprises or various units, departments and areas mentioned above are concerned, is subordinated to the production of use value by the whole socialist society. This situation is contrary to the conclusion drawn in our analysis of the capitalist economy. In our analysis of the capitalist economy, we can say that since the aim of capitalist production is to create surplus value for capitalists, capitalist production should of course be basically the production of value. The production of use value here is just a means, and only the production of value--the production of surplus value, in more concrete forms--is the aim. But in our analysis of the socialist economy, we should say that since the aim of socialist production is to satisfy social needs for use value, socialist production basically cannot be the production of value. As far as socialist society is concerned, value is only a means to organize, measure, check and control the production of use value and distribute use value. The production of value is just a means, and only the production of use value is the aim. Therefore, in understanding socialist economic problems, we cannot confine ourselves to the operation of value and the operation of currency. If we stay put at this level without progressing, our understanding of the operation of the socialist economy is superficial and less than deep. This means failure to grasp the nature of the operation of the socialist economy. The aim of our theoretical work is to help people understand the operation of use value (including how natural resources and labor are being used and how they are being consumed) through such phenomena as the operation of value and the operation of currency.

It is very clear that if the study of problems about the aim of socialist production is carried to such depths, economists are not likely to achieve a consensus all at once. Such problems must be solved by letting a hundred schools of thought contend.

#### IV. Planning Under the Socialist System

The concept of planning has been known at home and abroad for a very long period of time. In our ancient literature, there are the two Chinese words, "Ji" [6060] and "Ha" [0439]. "Ji" [calculation] was given in an ancient Chinese dictionary as the equivalent of "hua" [planning]. In ordinary times, we also often say: "Spring is the best time of the year for planning." But these terms cannot represent planning in its contemporary sense. Planning [word indistinct] economic work, in my opinion, began with social mass production under the capitalist system. Given social mass production, economic activities within a capitalist enterprise are organized. Meanwhile, under the capitalist system, general science and technology have developed. Thus, we have the contemporary meaning of planning. It is that in carrying out economic activities, we start with the following method: We must first define the goal in mind and properly arrange for the procedures to reach this goal. We must make systematic arrangements for certain details of actions to be taken. We must work out designs and the like, as we do in building a machine, a house or a bridge. The term planning in European language has evolved from the sense that we must draw designs before building a machine, a house or bridge. In a word, under the capitalist system, planning of this nature can exist. Such planning originates from social mass production and from general organization and from the planned nature of general science and technology. In a given capitalist country or a given period of time, such planning may be on a large or smaller scale and within a larger or smaller scope. This changes with changes in concrete conditions in a given country in a given period of time.

We Marxists have never denied the existence of such planning in social production under the capitalist system. Meanwhile, we have also pointed out the existence of another kind of planning. It is the kind of planning that can exist only under the socialist system.

On this question, I want to quote certain expositions on planning in Engels' "Anti-Duhring." I believe that these expositions are of unusually great importance to the problem now being taken up by us.

In this work, Engels pointed out that in the society before capitalism, the division of labor within a society that gave products a commodity nature was spontaneous and unplanned. After the subsequent infiltration of the capitalist mode of production into the society before capitalism, "In the midst of spontaneous and /unplanned/ division of labor dominating the whole society, it has established organized and /planned/ division of labor in individual factories, /social/ production appearing side by side with /individual/ production." ("Collected Works of Marx and Engels," Vol 20, p 294) (The words are underlined as they originally were) "Planned organization is more effective than spontaneous division of labor." In these few lines from Marx, the word "planned" was clearly and repeatedly

used. Moreover, from the text by Engels, we can clearly see that he believed that planning in economic life began with the appearance of the capitalist mode of production and the appearance of social production. Concerning Engels' consistent view that the capitalist system can be of a planned nature, apart from the words quoted by us above, we should also pay attention to the "Critique of the Erfurt Program" written by him. In 1891, the German Social Democratic Party formulated the draft of this program. In the draft program, the proposal about "the absence of planning originating from the nature of capitalist private production" was put forth. After reading it, Engels considered that this line "must be greatly altered." He said: "Capitalist production is a social form and an economic stage, while capitalist private production is a phenomenon appearing in this form or that at this stage. But what is after all capitalist private production? It is production handled by individual entrepreneurs. But such production has increasingly become an exception. Capitalist production in the form of a /joint-stock company/ is no longer private production but production to make profits for a number of people joined together. If we proceed from the joint-stock company and further take a look at the trust that controls and corners the whole industrial sector, then not only /private production/ stops there but also the absence of planning does not exist. ("Collected Works of Marx and Engels," Vol 22, p 270) It should be held that this interpretation is a further development of the viewpoint of "Anti-Duhring" cited above.

Moreover, we should also note that Engels not only paid attention to the development of the joint-stock company under the capitalist system but also took note of the problem of nationalization under the capitalist system. In an annotation on "Anti-Duhring," Engels wrote: "Under conditions where the means of production and the means of communications have really developed so as to be unfit for management by a joint-stock company and nationalization has become /economically/ unavoidable, only the realization of nationalization even in existing countries (bourgeois states), signifies economic progress." ("Collected Works of Marx and Engels," Vol 20, p 302) Engels even said that "a state cannot avoid taking over leadership over production." It seems that Engels agreed with the view that the greater the development of socialization and the greater the scope of socialization, the greater the planned nature of production within this scope.

But we must note that there are great limits to plans under the capitalist system. Engels did not lump planning within a given scope and to a certain degree under the capitalist system with planned economy born as a basic feature of such a communist system as exists after the achievement of public ownership of the means of production by society. In the "Critique of the Erfurt Program" Engels, after writing the words quoted by us above, said of the originator of the program: "The viewpoint with the word of private deleted may pass muster." After the author of the program changed the line to read "The absence of planning originating from capitalist production," he did not again express opposition. In "Anti-Duhring," it was especially pointed out: "Given the transformation into a joint-stock company or into state property, the attribute of productivity as capital is not eliminated." ("Collected Works of Marx and Engels," Vol 20, p 303) and "the opposition between the organized nature of production in individual factories and anarchism in production by the whole society," is not eliminated. ("Collected

Works of Marx and Engels," Vol 20, p 298) This is because in a society with the means of production owned by capitalists, the interests of the whole society do not exist. "The problem of survival between capitalists, between industries and between states depends on superiority or inferiority in natural or artificial conditions ... the natural state of an animal is even demonstrated as the peak of human development." ("Collected Works of Marx and Engels," Vol 20, p 298) The solution of these social contradictions under the capitalist system "lies only in recognizing in reality the social nature of modern productivity and thus also in bringing the forms of production, ownership and exchange in line with the social nature of the means of production. To achieve this end, we can only enable society to openly and directly control productivity that has developed so as to be suited for no other way of management than social management." ("Collected Works of Marx and Engels," Vol 20, p 304) This means the public ownership of the means of production by society. Engels said: "With the means of production possessed by society ... anarchism within society will be replaced by planned and conscious organization. The struggle for survival ceases. Therefore, men in a certain sense finally break away from the animal world and move to the conditions of survival of real men from the conditions of survival of animals. What surrounds people or what has so far dominated people's living conditions is now dominated and controlled by people. People for the first time become the conscious and real masters of nature, because they have become the joint masters of their own society.... Only from this time on, can people completely consciously create their own history. Only from this time on, can the social factors brought into play by people show their anticipated results in main respects and to an ever-growing degree. This is mankind's leap from the realm of necessity to the realm of freedom." ("Collected Works of Marx and Engels," Vol 20, pp 307-308)

Comrades, I must ask pardon for having quoted copiously from works that are so familiar to everyone. I consider it necessary to do so, because this can arouse comrades to once again study carefully these expositions by Engels and to further deepen their understanding of the matter of planning under the socialist system.

I think that from these words of Engels, we can see that planning under the socialist system is basically a different thing from planning for a factory, a joint-stock company, a trust, or even production subject to a certain kind of leadership by a bourgeois state. Engels held that planning under the socialist system is different from planning that exists only for a certain enterprise, a certain joint-stock company, certain kinds of bourgeois nationalized production, and even certain kinds of production subject to state leadership. It allows the planned development of the whole socialist national economy and the whole socialist society. Or, it can be said to be a kind of planning that enables mankind to consciously make its own history, to control its own fate, to control and dominate social forces, social conditions, to become its own master and to be the master of nature and society. Planning under the socialist system includes planning which can exist under the capitalist system and which originates from social production, from general organization and from general sciences and technology, but it is not limited to such planning. The scope it covers is not only broad but also

different in nature. For example, under the socialist system, we can establish socialist relations of production according to our own will and also use the principle of the relations of production being compatible with the demands of the development of productivity as a guide in reforming the socialist economic system. On the other hand, under the capitalist system, capitalists can only exert every effort to maintain the capitalist system as an obstacle to the development of productivity and are never willing or able to replace capitalism with socialism in a planned manner. This can never be done. Meanwhile, the capitalist system of private ownership makes planned development of the whole society impossible under the capitalist system. Therefore, under the capitalist system, despite a certain degree of planning for individual enterprises, individual monopoly organizations, individual departments cornered by individual capitalists and certain departments in which the bourgeoisie can play a leading role, generally speaking, capitalist production is inevitably blind. Under the capitalist system, productivity can never be treated in line with the inherent qualities of productivity under the capitalist system. Only after the realization of public ownership of the means of production, or the realization of the unity of social production and public ownership of the means of production, can "anarchism in social production give way to social and planned regulation of production in line with the needs of the whole society and every member." ("Collected Works of Marx and Engels," Vol 20, p 304) Also, only at this time "can social production be carried out according to plans." Please note that in these is the term "social." This is to say that only under the socialist system can the planned regulation of "social" production be carried out.

After further summing up the above, we can have a clear idea of the following:

1. If under the capitalist system, planning that is possible comes only from social production, from general organization and from the planned nature of general science and technology, then under the socialist system, it comes from a conquest of the contradictions between social production and capitalist private ownership of the means of production, or from the unity of social production and public ownership of the means of production, from a higher level of socialist organization and from the planned nature of Marxist science, and includes planning from general social mass production, from general organization and from the planned nature of general science or technology.
2. From the distinction made above, we can further understand that if planning under the capitalist system can only be planned in individual enterprises, individual monopoly organizations, individual industrial departments monopolized by the bourgeoisie or individual areas that can be controlled by the state, then under the socialist system, planning can encompass the whole society.
3. If planning under the capitalist system is, generally speaking, confined to the economic area and is basically incapable of changing the capitalist relations of production themselves, then planning under the socialist system

covers the conscious reform of the social relations of production and the reform of the superstructure of society. In other words, under the socialist system, there is not only planning with the aim of giving play to existing productivity and the development of productivity but also planning with the aim of continuously improving the social relations of production, and not only planning for the building of material civilization but also planning for the building of spiritual civilization.

Here, I think that it is necessary to distinguish the contrasts between two countries in regard to the high or low degree of planning and the good or bad work performance in planning and between different principles on the problem of planning under the capitalist and socialist systems. The former is a problem of the system and a basic problem of whether society can control its own fate. The latter is a problem of the degree of organization and the cultural level.

In this respect, many problems should be discussed. Time does not permit me to take them up today. What is said above may not be correct and I ask you comrades to please correct me.

CSO: 4006/427

## GENERAL

### 'JINGJI YANJIU' ON SUN YEFANG'S STUDY METHODS

HK140659 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 83 pp 12-15

[Article by Dong Furang [5516 6534 4356] of the Economics Institute of the Chinese Academy of Social Sciences: "Examples of Sun Yefang's Spirit and Methodology of Scientific Research and Study"]

[Text] Comrade Sun Yefang has many strong points that we should emulate. I will say a few words about my experience of Comrade Sun's spirit and methodology of scientific research and study just to encourage myself.

#### I. He Began With Microeconomics in Studying Macroeconomics

Comrade Sun took the study of the national economy as a whole, or it can be said that he studied macroeconomics. However, he always began with microeconomics when he studied macroeconomics, or it can be said that he raised microeconomic questions for macroeconomic observation, analysis and conclusion. For instance, in his study of the socialist economic system (which he called the system of planning and statistical work or the financial system). Comrade Sun began with microeconomics, that is to say, he studied the total output value index, the depreciation of fixed assets, the profit index, production price, material index and price index. He approached microeconomics through the study of the national economy so as to solve the problems arising from the macroeconomic system.

For instance, Comrade Sun studied the total output value index, which can be analyzed in two ways. It can be analyzed from a microeconomic angle through the study of the content of the target, its calculation, its relationship with other economic indices, its role in assessing the results of enterprises, etc. This kind of analysis is natural, necessary and meaningful. It can also be analyzed from a macroeconomic angle through the study of the consequences of using the index to assess the performance of enterprises. The problems of socialist planned economy are further tackled and analyzed, from which a conclusion on the economic system is drawn. Comrade Sun used the same method when he studied the total output value index. He wrote a famous article called "Starting With Total Output Value." The title shows clearly that he only took the study of total output value as a starting point. In fact, he aimed to solve the problems of the system of planning and statistical work. He adopted the same attitude towards other microeconomic problems. In what way are we enlightened by Comrade Sun's methodology of research and study?

We know that macroeconomics is different from microeconomics. However, they cannot be separated. Macroeconomics is, in one way or another and to a certain extent, reflected by microeconomics. It can also be said that it is necessary for us to have an understanding of microeconomics before we can understand and solve our macroeconomic problems more specifically, profoundly and thoroughly.

Take the total output value index as an example again. Taking it as the comprehensive target is indispensable in the planning of the national economy. It cannot be replaced by any other index. It has, of course, its own drawbacks. Some of them have much to do with our "demand for perfection." For instance, since the index is so "comprehensive," it cannot specifically reflect the situation of a department, trade, locality or enterprise. But this is not the function of a comprehensive index. Some of the drawbacks, however, are substantially significant. For instance, the total output value of enterprises which is calculated in accordance with the "factory act" will be affected if there are any organizational changes (merges or separation). The drawbacks of a specific economic system will become apparent when the system is linked up with such significant drawback. For instance, repetitions calculation of material consumption will occur in the total output value. Such drawbacks will trigger off serious problems in enterprises which "eat out of the same big pot" (i.e., enterprises which do not assume sole responsibility for their profits and losses). The reason is that, under such an economic system, the total output value index is used as an important index to assess the enterprises' performance. As a result, waste of valuable raw materials in enterprises is encouraged, regardless of the negative consequences it may cause to the enterprises and to the national economy. Under the economic system which "eats out of the same big pot," the enterprises do not have to assume sole responsibility for their profits and losses. They only have to pay attention to the achievement of the total output value target; whereas they do not have to care about whether or not they can gain profit. Under the economic system whose industrial products are monopolized by the state, the enterprises do not have to care about consumer demand. Therefore, if the total output value index is used as an important index to assess the enterprises' performance, the enterprises as stated in Comrade Sun's essay, would rather use nine pieces of fox-fur to produce dear fur coat (which has a great output value) than to produce cheap fur coats which suit the great demand of the masses of the people. This example shows that we can have a better understanding of the national economy, which is a subject in macroeconomics, if we begin our analysis with the study of the total output value index, which is also a subject of microeconomics. And this is what Comrade Sun did in the past.

It is often seen that some economists cannot have a clear and profound understanding of macroeconomic problems because they do not begin their analysis with the study of microeconomics nor do they raise microeconomic questions for macroeconomic observation and analysis. Consequently, they fail to draw correct conclusion, only giving shallow and ineffective solution. I do not have the same problem with my economic study. Actually, there also

exists a contradictory situation. We only judge a case as it stands because when we observe and analyze some microeconomic problems for the analysis of some macroeconomic problems, we fail to understand the former from a macroeconomic approach.

## II. Theories Must Be Thorough If They Are To Carry Weight

We can see from Comrade Sun's economic research that he was punctilious in his pursuit of a comprehensive and extensive set of economic theories through the study of various economic problems. We cannot say that he had accomplished his task, but it is true that he had been trying to accomplish it. By making a closer study of Comrade Sun's work, we are led to the central idea of his economic philosophy no matter which point we start from. From the profit of socialist planned economy to the economic results of socialist economy, we come to his value system. In actuality, he did not deal with the economic problem separately. On the contrary, he treated the national economy and its process as a whole. They are, in fact, interrelated. A theory cannot be self-contradictory if it is used as an explanation of a matter or its aspects. That is to say, our theories should be interrelated and compatible with one another in the study of the national economy and its aspects. Theoretical interrelatedness is, in fact, a reflection of the interrelatedness of various problems of the national economy. Theories should be thorough if they are to be interrelated. They should not be blended to suit certain phenomena which reflect the nature of things, to suit certain subjective desires, needs or thoughts if they are to be interrelated. They should be thorough if they are to carry weight. (They should, of course, in the first place, reflect the nature and relationship of things. In my opinion, Comrade Sun was characterized by this scientific approach. Of course, we cannot say that he had already completed his task. (He did not think that either.) However, judging from his spirit and methodology of research, we can say that he had been trying to complete his task.

To me, we may or may not agree with Comrade Sun. At any rate, we should follow him in the following aspects.

First of all, undoubtedly, not every economist is as capable as Comrade Sun, who tried to set up a system of economic theories. However, we should try our best to make our economic theories thorough and interrelated, not contradictory. This is not an easy job, but we have to try our best. It is natural that some comrades did not agree with Comrade Sun, who always welcomed opposing opinions. However, their criticisms were always on shaky ground and unconvincing. More often than not, they were defeated by Comrade Sun's counterattack, and their criticisms only made him feel more confident and his theories more perfect. Why? The criticisms made by Comrade Sun's opponents failed to strike home, for they were not thorough enough and were full of flaws. His opponents failed to demolish his theory of value, the cornerstone of his theories. A particular example is the status, significance and function of the profit index in a socialist planned economy. Some comrades were against Comrade Sun's theories, in particular his idea of taking the profit index as the leading force. However, the opposing theories of

some comrades were not thorough enough (there were, of course, some other reasons for that), for they only advocated that socialist enterprises should have a fixed profit. That is to say, they tried to criticize Comrade Sun by replacing the qualitative aspect of profit with its quantitative aspect. Therefore, Comrade Sun refuted them by saying that "isn't fixed profit a kind of profit?" We are not going to say who was wrong and who was right. But through this past event, we have come to know that theories must be thorough and only if the theories are thorough can they be forceful.

In addition, we know that Comrade Sun stuck to his own set of economic theories. During the period of political criticism, he was criticized as being "stubborn." He remained unyielding even when he was in jail. Where did his strength come from? Undoubtedly it came from his proletarian un-dauntedness tempered from the protracted revolutionary struggle, his loyalty to the party, his zeal for socialist construction and his outstanding qualities of a fighter for communism who gives no thought to his family or any personal interest. At the same time, I think, his strength also came from (or at least from his pursuit of) the thoroughness of his theories. His pursuit helped him form his ideas. He was, in the first place and at least, convinced by his own theories. During the long period of criticism, his critics failed to put forward any convincing counterarguments. As a result, he became more firm and confident in his theories. That is to say, the thoroughness of theories did not only have persuasive power, but also the strength to sustain the theorist. Copernicus, for instance, did not yield to the reactionary religious authorities. Wasn't it because his strength came from his confidence in his theories and their thoroughness?

In the pursuit of theories, it is natural for a person to change his view. A scrutiny to Comrade Sun's theories may help us come to know that he had really changed some of them (e.g., the subject of bonus). He had straightened out his thinking and had convinced himself before he made such changes. Some economic theorists always change their views. The reason is that they advance or favor a new theory regardless of the fact that it is not thorough enough or they have not even straightened out their thinking or even to convince themselves. In such a case, the development of theoretic work and the growth of theorists are hampered.

Comrade Sun always said that criticisms were welcome and, moreover, he welcomed others to criticize him by name. One of the reasons is that he wanted to see that his theories were thorough enough to be tenable. Through his response to such criticisms, he developed and perfected his theories and abandoned his incorrect views. Eventually, his theories became more and more thorough.

### III. To Do Research in the Light of the Development of Actual Life and To Explore Theories Unremittingly

Comrade Sun had a commendable quality in his research. When he had grasped a subject he would continue to grasp it firmly and carry on exploring it unremittingly. In my opinion, that was the reason why he achieved great success in economics. A complete study of Comrade Sun's works since 1956

will enable us to know that he had written over and over again essays on subjects like value, the law of value, the total output index, profit index, production price, fixed assets reproduction, depreciation fund, technological renovation, the flow of socialist economy, the demarcation of power over major and minor issues, and accumulation rate. He grasped these subjects when he led the delegation of the State Statistical Bureau to the Soviet Union in 1956. Through these subjects, he grasped the issue which is now called the economic system. Since then, he came to know that the socialist economy would not be effective if the above problems and the problem of the economic system were not resolved. He also came to know that he had to start with economic theories if he wanted to breakthrough from the "natural economic theory" which had been dominating economic theories and influencing economic work and to establish a whole set of socialist economic theories based on the Marxist theory of value. Since his work had a far-reaching influence on the great cause of socialism he had to devote himself to his work. From then on, he kept on exploring these problems unremittingly. He never abandoned his work even when he was in jail.

Some comrades criticized Comrade Sun saying that "It's the same old stuff" after reading some of his essays. This comment is right in some respects but wrong in others. It is right to say that Comrade Sun's essays are the same old stuff. Ever since 1956 his set of theories has not been fundamentally changed. It is wrong to say that his set of theories is "just saying the same old thing." He always combined his set of theories with the actual situation of his time in probing into new problems, through which his set of theories was examined, developed and perfected. This is very meaningful and we should follow his example. His set of theories was, therefore, "not the same old stuff," but "developing and perfecting." For instance, during and after the 12th party congress, in order to prove that the strategic target of quadrupling the annual target output value of agriculture and industry can be achieved by the end of the century, he criticized the theory that big base, low speed. He also put forward his theories such as raising the depreciation rate of fixed assets, opposing the "duplication of antiques," and speeding up technological reform in enterprises. At first glance, these were "the same old stuff." But, in fact, he was making use of his set of theories to approach the problems which had to be solved. Actually, he did a wonderful job. He linked up the criticism of the theory of big base, low speed with the theories of raising depreciation rate, speeding up technological reform in enterprises and opposing the "duplication of antiques." This was really beyond my imagination. I remember that in 1959 I criticized the theory big base, low speed in a book. I was filled with admiration for his views after reading them. I had a strong feeling that my criticism at that time was weak and it failed to hit home. From this instance, we can see that Comrade Sun was exploring new problems all the way along. He never stayed at the same level.

I think that Comrade Sun's example is worth following in at least two respects.

First, in studying a theoretical subject, if we have grasped it correctly, we have to go further into it systematically, unremittingly and consistently. Only in this way can we make some achievement. Of course, it does not mean that we cannot change subjects. But we should not be satisfied with a smattering of a subject.

Second, in the process of study, theorists should combine their study with the actual situation. They should develop and perfect their theories and blaze new trails through their study.

These two targets are not so easy to achieve. But we have to move towards this direction if we want to make some achievement in theoretical work.

The above-mentioned points are what I have learned from Comrade Sun after a long period of study. These are also the points which I have not accomplished and which I will try to achieve. There are still many things which we should learn from Comrade Sun concerning his spirit and methodology of scientific research and study. I have only mentioned a few in this article. I dare not say I have a correct interpretation of the above-mentioned points.

(Written on 25 December 1982 on the way from Beijing to Los Angeles)

CSO: 4006/427

GENERAL

**'TIANJIN RIBAO' LISTS MAJOR TASKS FOR 1983**

SK260946 Tianjin City Service in Mandarin 0030 GMT 26 Mar 83

[**"Excerpts" of TIANJIN RIBAO editorial: "Those Are Major Tasks That Must Be Successfully Fulfilled by the Municipality in 1983"--date not given**]

[**Excerpts**] The editorial states: At present, Tianjin Municipality, as elsewhere in the country, confronts a fine situation in various fields, particularly in the fields of politics and the economy. In facing the excellent situation, we must be sober enough at all times and uphold the Marxist law that "one divides into two." We should by no means be conceited and arrogant. We must note that there are many problems in our work which remain unsolved. Tasks for successfully dealing with these problems are heavy. Therefore, we should do a good job in grasping the following major tasks this year:

1. It is necessary to readjust leading bodies at all levels. The prime task for the drive for reform is to conduct structural reform. However, the key link in conducting structural reform is to consolidate leading bodies. Therefore, the municipal CPC Committee has pointed out that, by the end of June this year, efforts should be made to complete the work to consolidate leading bodies at or above district, county and bureau levels. By the end of September this year, a good job should be done in consolidating other leading bodies at all levels. This work has a vital bearing on our success or failure in other fields. We should give priority to this work and grasp it vigorously and successfully.
2. It is necessary to conduct reforms in the economy. In 1983, according to the arrangements made by the CPC Central Committee, the general guidelines set forth by the central authorities for the drive for reforms, and under the guidance of the departments concerned of the State Council, we should resolutely conduct all-round economic reforms in a systematic and orderly way and carry out economic reforms step by step and under the unified leadership so as to make great progress in this regard, drawing support from the basic achievements scored by the municipality in its previous work.
3. It is necessary to conduct party rectification. The 12th CPC Congress put forward that, effective from the latter half of 1983, it is necessary

to take 3 years to conduct an all-round rectification of party workstyle and organizations by stages and in groups. At present, we are engaging in consolidating the contingent of party members. Party committees at all levels should be fully aware of the importance of party rectification, unify their thinking, enhance their confidence in party rectification, regard party rectification as a major task for party building and carry out party rectification successfully.

4. A good job should be done in firmly grasping economic work. Pushing economic work forward is not only the foundation for continuously achieving a turn for the better in the situation as a whole but is also the foundation for succeeding in various fields. In 1983, the municipality must score better achievements in economic work than in 1982. Industrial enterprises and departments, while centering on upgrading economic results, should vigorously carry out technical renovation and equipment renewal. They should lay their stress in reforms on conserving energy resource and raw materials, as well as on improving product structure, upgrading product quality and function and increasing the production capacity for commodities that are needed urgently by society.

In conclusion, the TIANJIN RIBAO editorial states: This year is crucial to the enforcement of the sixth 5-year economic plan. The work that we should take up is considerable and the tasks imposed on us are heavy. In April, the municipality will convene the 10th Municipal People's Congress. In the later half of 1983, the municipality will convene the fourth municipal party congress. Party and government organizations at all levels across the municipality, by closely following the party's central work, must make overall plans and take all factors into consideration, give priority to key tasks, prefulfill all tasks as early as possible and strive to fulfill various tasks set forth by the municipal CPC Committee so as to make still greater contributions to realizing the grand target put forward by the 12th CPC Congress.

CSO: 4006/404

GENERAL

BRIEFS

NORTHWEST ECONOMIC COOPERATION MEETING--The joint meeting on economic cooperation of northwestern provinces and regions opened in Lanzhou on 5 April. Responsible comrades in charge of economic work of Gansu, Ningxia, Qinghai, and Shaanxi provinces and Xinjiang Autonomous Region attended the meeting. Relevant responsible comrades of the State Planning Commission, the State Economic Commission, Shanghai, Tianjin, Jiangsu, Sichuan, Henan and Zhejiang were also invited to attend the meeting. Responsible comrades of the provincial CPC committee and provincial government delivered speeches at the meeting, expressing their gratitude to those fraternal provinces and municipalities which have vigorously supported and cooperated with Gansu Province in economic cooperation. Responsible comrades of the provincial CPC committee and provincial government pointed out that as Gansu Province had been slow in carrying out economic cooperation, we must take the opportunity of this meeting to learn from fraternal provinces, municipalities, and autonomous regions their good experiences and methods to promote the development of economic cooperation work in the province. The first joint meeting on economic cooperation of northwestern provinces and regions was held in Xian last year. The current meeting will sum up and exchange the experiences of northwestern provinces and regions in carrying out economic cooperation over the past year, discuss new items of economic operation last year and study measures to further strengthen economic cooperation of northwestern provinces and regions. [Text] [HK070459 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 6 Apr 83]

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**May 5, 1983**